

NOVA SCOTIA AGRICULTURAL COLLEGE
ORGANIZATIONAL STATUS, GOVERNANCE AND MANAGEMENT

A MODEL FOR CHANGE

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INTRODUCTION

At a time when it is imperative that public service institutions manage their operations with the greatest possible degree of economy, efficiency and effectiveness, two critical conclusions are forthcoming from the international experience in public management reform:

(1) the best value for taxpayers' money cannot be achieved when public service institutions are subject to a complex array of micromanagement regulations imposed by centralized administrative agencies; and,

(2) the performance of public service institutions and accountability for them are best secured when those responsible for managing operations have sufficient authority and incentives to pursue economy, efficiency and effectiveness.

As a consequence of the increasing acceptance of these two conclusions, governments in all Western democracies are seeking to institute changes to their organizational structures and management regimes. Although there are important variations across jurisdictions, two sets of changes are common.

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First, centralized administrative regimes are being transformed virtually everywhere. This has entailed a significant deregulation of central management policies relating to financial and personnel administration as well as to the mandatory use of common government services. It has been accompanied by decentralization of authority and responsibility in order that required management controls can be tailored to the specific circumstances of different operational units.

Second, there are major initiatives in all jurisdictions to strengthen accountability regimes to focus on results and performance. With the greater management flexibility emanating from the first development, it is recognized that accountability can no longer be based primarily on front-end controls over the use of financial and personnel resources (or inputs); rather, the emphasis must shift to an accounting for the use of these resources in achieving the mandates and missions of organizations.

Although a great deal of hype and hyperbole accompanies various public management reforms, especially in North American circles, e.g. "re-inventing government" or "getting government right", much of what is happening in public management is more than simply adopting the most current management fad or fashion. At the heart of the more successful attempts at reform lies the traditional concern for good governance structures and management systems linked tightly to accountability. Viewed from this

perspective, the two conclusions noted above are simply a contemporary re-statement, even re-discovery, of traditional emphases in public administration. Although the catalyst for reform has been the fiscal crises facing governments, the changes themselves are in response to the excessive centralization and standarization of recent decades that produced precious little in the way of productive management while at the same time diffused responsibility to a degree as to make accountability virtually meaningless.

In a number of jurisdictions, governments have sought to re-assert traditional principles of public service management and accountability by separating organizational structures for policy advice and development, on the one hand, and for the management of operations and delivery of services, on the other. At the same time, they have instituted accountability regimes that provide for the necessary linkages between the two. These regimes take a variety of forms. Their essential features include mechanisms to ensure that policy objectives and organizational missions are clarified and that organizational outputs and personnel performance can be assessed. In some jurisdictions, this is achieved by establishing these linkages on a contractual basis, even though the majority of these contracts are intragovernmental. The use of contracts, and thus a revenue-dependency budgetary system for recipient operational agencies, has a number of advantages with respect to management and accountability compared to traditional

public sector budgetary and financial management approaches. Chief among them are the degree to which they can promote greater clarity in objectives, attention to missions, specificity in desired outputs, and a focus on performance rather than adherence simply to standardized procedures. In so far as these advantages are realized, managers have the incentive to be both cost-conscious and results-oriented.

The experience to date in jurisdictions such as Britain, New Zealand and Canada, notwithstanding important differences in detail as well as coherence and progress with reform, indicates that these changes can effect significant results. In Britain, the creation of "executive agencies", that is agencies operating within government departments but with a measure of managerial autonomy, now encompasses almost two-thirds of the British civil service, as measured by civil service employment. In New Zealand, this approach has been taken even further; the entire governmental system operates on the distinction of policy and operational structures, linked on a contractual basis. In Canada, the adoption of this approach has been much more modest, but the use of what are called "special operating agencies" (currently numbering just over a dozen) conforms to the British model in many respects.

In all three jurisdictions, these reforms have been accompanied by a significant deregulation of central management controls as well as substantial decentralization or delegation of

authority to line departments and agencies. In many instances, changes that at one time applied only to new forms of operational agencies now apply to line departments themselves. In the Canadian federal government, for example, centrally managed person-year controls have been removed and in their place departments have a "single operating budget" for all administrative expenses, including salaries; the right to carry-forward a percentage of an organization's budget from one fiscal year to the next has been established; and, departments have the option to contract-out for services that once were mandatory services within government and provided by common service agencies. Rather than supplanting the above noted organizational changes, however, these broader developments have made clear their advantages.

Given these various reforms in public management elsewhere, the existing status of the Nova Scotia Agricultural College within the provincial government's Department of Agriculture and Marketing, especially when combined with the current management practices of the provincial government generally, appears ripe for reform. This is not to suggest that the College has been poorly served by the Department, that it has been badly managed, or that its operations have not been designed to accomplish its missions and thereby pursue the public policy objectives for which it is publicly funded. However, there are causes for concern relating to the degree to which it can secure the greatest possible economy, efficiency and effectiveness in its operations and management of

resources within the existing organizational and managerial regime, even if some progress is made throughout the provincial government to introduce much needed organizational and managerial reforms generally. Leadership and responsiveness to the public interest are critical, but, as one leading scholar succinctly puts it, "organization matters". Good organizational design may not be a sufficient condition for good governance and management, but the international evidence is clear that poor organizational design cannot but reduce economy, efficiency and effectiveness.

NOVA SCOTIA AGRICULTURAL COLLEGE: THE CURRENT CONTEXT

Mission

The Nova Scotia Agricultural College (hereafter 'the college') functions as part of the Department of Agriculture and Marketing (hereafter 'the department') in recognition of the need to have agricultural education, training and research serve the mandate, objectives and priorities of the department. Given the importance of latter to the general welfare of the province, this was, and remains, entirely appropriate. The college, however, has now reached that point in its development - as a university, technical college and research centre - where its mission in service of the provincial department of agriculture might best be pursued by way of a different governance structure. In part this need for a new governance structure derives from the transformation of the college

from its previous role as essentially a training institution to a college that, while retaining its training role, has also become a centre for both higher education and scientific research in agriculture, broadly defined. In addition, the college has assumed a role in the context of Atlantic provinces that makes it the centre for higher education, training and research for the region. This latter role is carried out under agreements between the province and the three other provinces.

Governance Structure

Under the existing structure, the provincial cabinet, as governor-in-council, possesses the statutory authority to appoint the principal and professors/instructors. It also possesses the statutory authority to prescribe the rules and regulations governing what are essentially the "academic" policies and standards of the college and to set fees. Given this statutory regime, the cabinet, in effect, is the "board of governors" of the college. There are some obvious shortcomings in this structure.

(1) First, under this structure there exists no formally established advisory body to assure the minister, or government, that the programs of the college actually meet the mandate, objectives and priorities of the department and, thereby, the needs of the province in these regards. Although the minister, and government, receive advice from the department and college on the

fit between the requirements of the department and the role of the college, and may seek advice from industry and others, the absence of a formal established and responsible advisory body, composed of well informed and experienced persons in the various fields of agriculture, constitutes a major deficiency in the existing structure.

(2) Second, the minister and government lack an effective mechanism to ensure that the college is well managed in relation to its mission and in the use of the resources provided it, and that, given its resources, the quality of its work meets the highest possible standard. Responsibility in this regard is primarily the function of the deputy minister of the department, to whom the college principal formally reports. Given the higher education and scientific research functions of the college, however, this is not a responsibility easily discharged by the deputy minister, even if supported by senior departmental officials, given that departmental expertise and experience relates primarily to matters other than higher education and scientific research per se. Scientific institutions, including universities, have long recognized the advantages of bringing collective expertise and experience to bear upon matters of direction, management accountability, and quality evaluation. Scientific institutions, such as the National Research Council of Canada, as well as universities thus use multi-member boards for their governance structures. Where this has not been the practice, such as in many government laboratories, it is

increasingly recognized as desirable.

(3) Third, under the current structure, the college is part of the department and its academic and research staff are subject to all the constraints imposed on departmental staff. This potentially restricts the exercise of what in the university and scientific setting is called "academic freedom", or the crucial function of "public knowledge", as they relate to both teaching and publication. At issue here is not what the curriculum should entail or what research should be undertaken, but rather the responsibility of scientists to speak and write freely about their subjects of expertise. Subject only to the confidentiality required by certain kinds of contract research, the scientific staff of the college ought not to be constrained in this regard directly by virtue of departmental or government policy, or indirectly by virtue of industry demands on the department or government. The provincial public interest in education and science demands the greatest possible freedom to disseminate ideas and the findings of research. This is not a question of academic "licence"; rather, it is in the public interest that there be the broadest possible dissemination of ideas and findings, including those that may be critical of government or industry. In order to secure this public interest, an arms-length relationship between the academic and research staff of the college and the department and government must be established. This is best achieved by an intermediary body between these staff and the department and government with the

responsibility to determine the rights and obligations of staff in regard to the dissemination of ideas in teaching and publication.

Management Structures

Under the current management structure, the college is part of the department and thereby subject to all government-wide rules and regulations as they pertain to financial administration, human resource management and the mandatory use of government common services. Although the principal and staff of the college have been able, in fact, to exercise a significant measure of de facto control over critical academic matters, there exist numerous areas where government-wide administrative policies and their enforcement, by central agency and departmental officials, have diminished the extent to which the greatest possible economy, efficiency and effectiveness in the management and operations of the college can be effected. Some of these government-wide policies may no longer be appropriate even for government generally; in any event, they have particularly adverse consequences for the management of the college.

Human Resource Management

All staffing (appointment and promotion), except for the position of the principal (appointed by the governor-in-council) is now done through the Department of Human Resources (formerly the

Civil Service Commission) on the recommendation of the principal to the deputy minister. The classification system and pay structures, as well as the classification of staff, including new appointments, is under the jurisdiction of the Department of Human Resources. The number of staff is regulated through a system of person-year controls under the jurisdiction of the Department of Finance (formerly Management Board) as part of annual expenditure budgets. The college, as part of the department, is also subject to all other policies, such as the imposition of hiring freezes or staffing cut-backs. These policies are applied to all casual short-term staff needs regardless of commitments to delivery programs. These centrally imposed and administered policies and regulations ignore the special circumstances of the college in a number of ways. The college staff are members of the Nova Scotia Government Employees Union and collective bargaining is centrally administered.

Centrally designed and regulated staffing and classification systems are especially inappropriate to an institution of higher education and scientific research. The present regime, moreover, encourages the college, as well as other government units, to restructure their staffing requirements in order to fit the classification and pay structure. In addition, the college has a special problem under this regime with staff who are graduate students or otherwise employed on a short-term basis in connection with research and international projects and paid from "soft

money". The college also experiences problems in responding to increased enrolment and program adjustments even when the additional funds are in hand. This is not to imply that there should not be human resource management policies vigourly enforced to promote administrative integrity, fairness and staff excellence. There are best practices in university and research institutions, including government research agencies, that can be emulated in these regards. However, these best practices ensure that these functions are carried out within such institutions themselves under the authority of their governing structures (university boards or research councils).

Centrally designed and regulated person-year controls have been recognized in various jurisdictions, including the Government of Canada, as a managerial device that is not only ineffective in restraining expenditures but actually perverse in many of its consequences. Centrally imposed person-year controls in the Government of Canada were thus eliminated in 1993. The college has been adversely affected by the use of this measure, even when it has had the financial resources to create new positions, including new administrative positions recommended by external studies. Needless to say, the central imposition of related policy measures such as hiring freezes also ignores the financial position of the college and, as many governments have come to recognize, hardly constitutes an effective or strategic management response to the financial capacity of the province and the need for economy in

public service institutions.

The fact that the college is part of the department means that it does not play a role in the negotiation of collective agreements with its unionized staff. An important measure of managerial control is thus absent. This is unlike the situation in all other institutions of higher education in the province, with the exception of the Nova Scotia Teachers College. In a number of foreign jurisdictions the trend is to have departments and/or agencies possess the authority to negotiate separately with their own staff.

Financial Management

At present, the college receives funding from a variety of sources: the department; the Maritime Provinces Higher Education Commission (for its "degree programs"); tuition fees; the three other Atlantic provinces; research grants and contracts; and various miscellaneous sources. As a unit within the department, the college has little financial managerial autonomy, notwithstanding the fact that it obtain almost two-thirds of its funding from other than the department itself. In part, this is a function of the department treating the college as simply a part of the department. In large part, however, it derives from the general financial management regime of the government.

As part of the department, the college's revenues are credited to the current year's budget; any surplus at the end of the fiscal year lapses and reverts to the provincial treasury. Given this tradition approach to government financial management, the college is denied the incentive to use its revenues in ways that encourage economy and efficiency. Moreover, it cannot invest any surplus revenues to upgrade its facilities. Conversely, like other government agencies without a non-lapsing respending authority, it is actually encouraged to spend any anticipated surplus before it lapses at the end of the fiscal year.

The perverse consequences of this traditional control measure have led many government to adopt a revolving fund structure for government agencies, such as the college, that derive revenues from other than statutory appropriations. This approach provides the necessary incentive to manage financial resources economically and efficiently as well as to engage in strategic financial planning.

Given the financial management regime of the government generally, the college is also subject to centrally imposed policies and regulations in the management of its financial resources. For instance, it is subject to government-wide regulations on travel, despite the centrality of scientific conferences and workshops to the work of the research community. The major point here, of course, is that such travel restrictions are not imposed to obstruct the work of researchers; they merely

get caught in government-wide rules that cannot possibly be tailored from the centre to fit all circumstances. More generally, the need to adhere to centrally prescribed regulations in the management of financial resources reduces the capacity of the college to set priorities in relation to the work of the college, except as they can be planned for a full year in advance of a fiscal year.

It is to overcome the disincentives to manage well and to avoid the misuse of revenues that many governments, including the Government of Canada, have consolidated "operating" or "running costs" into a single budget for each department or agency. In the Canadian government this is called the "single operating budget" and encompasses salaries, administrative costs and minor capital funds. It has been this instrument that has enabled governments to eliminate person-year controls and to avoid other government-wide controls that reduce cost-consciousness and defeat efforts at economy and efficiency.

Administrative Policies

The college is required to comply with the policies and procedures of the various common service agencies of the provincial government. The college uses a number of mandatory services, including advertising, publications, computer services planning, legal services and a wide range of maintenance services which are

charged back to the college. Although there are obvious advantages to be gained by the use of common service agencies in government under certain circumstances, almost all governments have begun to question the degree to which centrally mandated common services actually "serve" their government "clients" in the most economical, efficient and effective manner. Many such services have thus been made non-mandatory; in these cases, operating departments now have the right to contract-out for services where they can procure either better or cheaper service from the private sector. This change has also served to make common service agencies themselves more productive, and those common service agencies that have not been privatized have generally responded by becoming more service and client oriented.

PROPOSED CHANGES

The longstanding relationship between the department and college has served the industry, people and government of Nova Scotia well. It has also enabled the college to become the centre for agricultural education, training and research in the Atlantic provinces, providing services to Atlantic Canadians and their governments. The work of this centre of excellence now extends to international development as well. It is important, therefore, that any changes to the governance and management of the college build on this relationship. In so doing, the mission of the college, first and foremost, must be to support the mandate, objectives and

priorities of the department and, at the same time, respect the responsibilities and obligations that come with funding from the Department of Education and other sources.

The model for change proposed below outlines only in general terms what might be done to maintain the relationship between the college and the department while securing for the college the necessary flexibility to manage productively, especially in this period of financial restraint. What is proposed is a model; not all the details are considered. It is assumed that agreement must be reached on the basic principles set forth and implied by this model before attention is given to the specific administrative or statutory measures that would be required for this model to be implemented.

College Governance

In order to ensure that the college, as a centre for higher education, scientific research and technical training, pursues a mission that supports the mandate, objectives and priorities of the department and government, the first change should be the creation of a college board of governors to replace the Governor-in-Council as the authority to approve the college's academic policy, standards and regulations, to set course fees, and to appoint the college's academic staff, other than the principal, on her or his recommendation. These powers are essential to secure and promote

the integrity and quality of the college as a university education and scientific research institution.

In order to assure the minister and government that the activities of the college best serve education, training and research needs of the department, responsibility for advising the minister on this crucial matter should also be assigned to this board. This requires that the board be effectively linked to the department, given that the latter must also advise the minister on the role of the college in serving the public purposes advanced by the agricultural portfolio. There are several ways to accomplish this.

First, the deputy minister should be an ex officio member of the board with the particular responsibility of communicating to board members the department's needs in relation to education, training and research. Second, given that the principal has the responsibility of advising the minister and department on the contribution that the college can make to meeting these needs, the principal should also be an ex officio member of the board. Third, the principal should continue as a member of the senior management team of the department and be designated the minister's chief advisor on education, training and research. These linkages between the college, the department and the minister should foster a more explicit concern for the role of the college in meeting the needs of the department and its public purposes in education, training

and research.

The board of governors should also be responsible for ensuring that the college, under the direction of the principal, as chief executive officer, is well managed. In this respect, the principal should report and be accountable to the board for the management of the college, including all aspects of planning, organization, budgeting, financial and human resource management, and reporting procedures. The board would have the responsibility to ensure that internal audits are conducted as required. In this role the board should report to the minister on the management performance of the principal. At the same time, the principal should remain accountable to the minister for the quality of advice given in her or his capacity as the minister's chief advisor on education, training and research.

Finally, the board would have the responsibility for ensuring that the personnel and activities of the college are subject to performance and quality evaluations on a planned basis. In addition to internal performance appraisals and quality control measures that are part of good management systems, evaluations should be conducted for the board on a periodic basis by external experts in higher education, scientific research and technical training to assure the board, and through them the minister and government, that the staff of the college and their educational, training and research activities meet the highest possible standards of

excellence, given the resources available to the college.

In addition to the deputy minister and principal as ex officio members, the composition of the board should include, other than perhaps two students and two staff elected by the student body and staff respectively, persons who have a demonstrated expertise and experience in agriculture, higher education and science and include one representative from each of Dalhousie University, the Technical University of Nova Scotia, the Atlantic Veterinary College, and the Nova Scotia Community College. These members, as well as the chair of the board, should be appointed by the governor-in-council, on the recommendation of the minister following consultation with the board (after its initial composition is established). Representatives from the three other Atlantic provinces should be included on the board, given its regional role, and appointed following consultations with relevant authorities in these three provincial governments. The total board should not exceed fifteen members in order that it be able to function as an effective board of governors.

The principal should continue to be appointed by the governor-in-council, on the recommendation of the minister following consultation with the board, for a term not exceeding five (seven?) years but renewable.

College Status

The college has a distinct entity as an educational, training and research institution. It has no formal status, however, apart from the department. If the board is to be held accountable to the minister and government for the management and operations of the college; if it is to be granted sufficient authority to manage its human and financial resources in the most productive manner; and, if it is to be able to provide the tightest possible linkages between its activities and the requirements of the department, other government agencies, other governments, and private organizations, then a more formal status is required, whether this be established by statute or delegation.

Given the longstanding and still relevant relationship with the department, the most appropriate status for the college would be as a "corporate agency" of the department. This would make it clear that the college remains an entity within the agricultural portfolio of the provincial government whose primary mission is congruent with the mandate, objectives and priorities of the department. Establishing the college as an independent provincial university would dilute the essential character of this relationship by placing it at arms-length from the department. Establishing the college as a provincial crown corporation would do the same. While university or crown corporation status is appropriate for organizing certain kinds of undertakings with a

public policy purpose, the mission of the college must remain clearly focussed on the public policy purposes in agricultural education, training and research. This is best achieved, and mission-drift thereby best avoided, by having the college and the department as tightly linked as possible, while at the same time granting it sufficient managerial authority to pursue economy, efficiency and effectiveness in its operations, and respond appropriately to other sponsors.

College-Department Relationship

In addition to the linkage mechanisms noted above, the mission of the college would best reflect the priorities of the department if the former derived its annual operating funds from the latter by way of annual or multi-year contracts that make explicit the scope of educational, training and research services of the college that department requires to meet its mandate and to pursue its objectives and priorities. The department's funds for these contracts with the college would continue to constitute a separate vote of the legislature but within the department's annual appropriations. The use of contracts (or memoranda of agreements), in contrast to the present budgetary system, would require a more explicit understanding between the college and department of the objectives and priorities, and therefore needs, of the department, on the one hand, and of the specific services that the college would provide and performance targets to be met by it, on the

other. This would be consistent with the Atlantic Provinces Agricultural Training Agreement which identifies the relationship with other governments in Atlantic Canada. Equally important, this contractual approach would then enable the college to manage its resources and operations as it judged best from the perspectives of economy, efficiency and effectiveness without interference from the department or central agencies. The college would still be required to manage in ways that met certain government policies, in particular those that extended to all public agencies (but not those that apply only to government departments). It would still be subject to external audits, including those of the provincial Auditor General.

Under this regime, the college would continue to obtain revenues for its operations from the Department of Education and other sources. However, the board should advise the minister as to the appropriate percentage of college revenues that might be secured from sources other than the department in order to ensure that the college's principal mission in service to the department not be adversely affected by other such contractual obligations. These additional revenues should also be subject to contractual agreements, negotiated between the college and other parties, subject to the approval of the board. (Consideration might be given to having the department participate with the board of the college in submissions for the funding it now receives for university education from the Department of Education on the advice of the

Maritime Provinces Higher Education Commission, given that this public financial support is specifically meant to support university programs related to agriculture.) In addition, a separate annual contract with the Department of Supply and Services would be necessary for the maintenance of the college's facilities and infrastructure, as they constitute assets of that department of the government.

It hardly needs to be stated that this contractual approach is not a panacea for productive management. Leadership, judgement, and common sense are still essential. However, this approach does have the potential to tighten relationships between policy and operations, and thereby making more explicit accountabilities for policy and operations respectively, without imposing an excessively centralized, and thereby standardized, management regime. Moreover, best practices in private sector organizations, as well as the recent experience in public sector management, indicate that this approach can secure greater attention to organizational missions, cost-consciousness on the part of management, and, most importantly, organizational performance.

College Management

With the above recommended governance structure, organizational status and relationship of the college to the department, responsibility for the management of the college should

be vested in board, with the principal as the chief executive officer to direct and supervise the staff and the work of the college.

The board should be designated a separate employer, with the authority to appoint staff, on recommendation of the principal; to establish and administer its own classification and pay structures; and, to enter into agreements with the unions representing the staff of the college. In managing its human resources and personnel systems, the college should have agreements with the department to make use of its services where this is judged most economical, without sacrificing managerial flexibility.

Because its financial resources will be obtained via contracts with the department and others, the college should be free to establish its own financial management and control systems. It should not be subject to the central agency regulations and controls that apply to departmental management, nor should it be subject to department regulations and controls. Under this regime, the college would be able to establish a revolving fund structure, and thereby be able to retain revenues not expended in a given fiscal year. The principal will have to assure the board that the necessary management regime is in place; its operation and practices will be subject to internal audits as caused by the board to be undertaken; and, the financial management systems and financial management performance of the college will be subject to

external audit by the Auditor General. As in the case of human resource management, the financial management services of the department should be utilized where this will avoid unnecessary duplication. This same principle should apply in the use of other common services, from either the department (e.g. legal services) or common service agencies (e.g. the Department of Supply and Services). In all of these instances, the college should be billed, by either the department or common service agencies, for the services provided. The funds to finance these services should be included in the annual contractual agreements between the department and the college. In all cases, however, the college should have the authority either to provide the service in question directly by its own staff or to contract-out with private sector providers, where one or other of these options promise greater economy, efficiency or effectiveness.

