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AN EVALUATION OF MANAGEMENT
IN THE TRADE COMMISSIONER
SERVICE

by

Malcolm Rowan

A thesis submitted to Carleton University in partial
fulfillment of the requirements for the degree of
Master of Arts in Public Administration.

School of Public Administration
Carleton University
Ottawa, Canada
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The undersigned recommend to the Faculty of
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Trade Commissioner Service"

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ABSTRACT

For 76 years the Trade Commissioner Service (T.C.S.) has been Canada's commercial foreign service. The present trend towards more professionally managed public organizations is imposing severe strains on T.C.S. which has grown without clearly enunciated and understood goals and which has few meaningful performance measures. Consequently, goal displacement has occurred, resulting in the "lifestyle" of a Trade Commissioner becoming more important to management than results.

Efforts by individuals within the organization to introduce clearer objectives and performance measures and to develop more systematic management techniques have largely been frustrated by management which sees these efforts as threats to the equilibrium.

T.C.S. management minimizes risk by not allowing the equilibrium to be disturbed. Little or no effort has been made to develop managerial skills or use techniques which minimize the possibility of failure but which would still allow the organization to anticipate and adapt to a changing environment.

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PREFACE

This thesis is primarily action oriented. It is an analysis of the factors which have impacted on the Trade Commissioner Service and made it what it is today.

While the data from 1892 to 1959 is based mainly on secondary source material, much of the data and impressions about the Trade Commissioner Service since 1959 has come from personal involvement on the part of the author. From 1967 to 1969, the author was a member of the Trade Commissioner Service management team.

CHAPTER 1

INTRODUCTION

The Trade Commissioner Service (T.C.S.) has been Canada's commercial foreign service for seventy-six years. It has grown in size from one Trade Commissioner in 1894 to an organization employing over 800 personnel and with an annual budget of almost \$12 million in 1970.

This thesis traces the evolution of the management process in T.C.S. during this period. T.C.S. is in many ways representative of current issues and problems of management in the Canadian Public Service. This similarity is such that it is possible to draw some conclusions for the Canadian Public Service as a whole from an evaluation of T.C.S.

Because T.C.S. management has failed to identify clear objectives, it has tended to concentrate on means rather than ends and has missed opportunities which have caused it to become less influential within the Canadian Government. Its history is a classic study of goal displacement. (1)

The remainder of this chapter identifies several symptoms and characteristics of goal displacement, and assesses some of the variables which have caused organizational goal displacement.

(1) W. Keith Warner and A. Eugene Havens, "Goal Displacement and the Intangibility of Organizational Goals", Administrative Science Quarterly, Vol. 12, No. 4, March 1968, pp. 539-555.

Chapter II describes the growth of the Service and the intangibility of the organization's goals and how goal displacement occurred, resulting in its management being more concerned with form than substance. Chapter III discusses the first attempts at a system's approach to management and the problems of initiating change in a non-professionally managed organization. Chapter IV describes a system of control proposed with a view to developing a more objective personnel evaluation system. Management's reaction to this proposal is also assessed.

Chapter V discusses the T.C.S. promotion or reward system. The objective is to show that the criteria used in a reward system are the best measure of what management thinks is important for the organization. Particular emphasis will be given to T.C.S.' concepts of career development and its merit system.

In order that an overall evaluation of T.C.S. management can be made, Chapter VI reviews T.C.S. objectives and output at various points in its history. In Chapter VII evaluation criteria are developed and an assessment is presented of T.C.S. management's performance based on its objectives and output. Finally, Chapter VIII offers some concluding assessments of T.C.S. and the Public Service.

In short, the main objective of this thesis is to describe the evolution of the T.C.S. management process, evaluate it and explain its shortcomings in the light of theoretical propositions regarding the causes of organizational goal displacement. Emphasis will be placed on the developments since 1965 when new management tools became available, particularly Planning, Programming and Budgeting (P.P.B.) and when the impetus for better (more professional) public service management began to gain strength.

Methodology

There are many studies and theories of organizations and organizational behaviour which can be used as models for understanding and comparing the evolution of T.C.S. management. This thesis, however, draws mainly on the ideas contained in Alfred D. Chandler, Jr's Strategy and Structure. Chandler's main thesis is that structure (ie. the design of organization through which it is administered) follows strategy (ie. the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out these goals). Moreover, Chandler maintains that strategic growth results from an awareness of opportunities and needs. The failure to develop new internal structures, appropriate to a changed strategy, like the failure to respond to new external opportunities and needs, is a consequence of overconcentration on operational activities by the executives responsible for the destiny of their enterprise, or else their training and education failed to sharpen their perception of organizational problems. Another important reason is the tendency to resist desirable structural changes because they are felt to threaten personal position, power or psychological security. (2)

Also used extensively are the ideas of differentiation and integration of Paul R. Lawrence and Jay W. Lorsch in their book Organization and Environment. (3) Lawrence and Lorsch investigate the organizational

(2) Alfred D. Chandler, Jr., Strategy and Structure, Doubleday and Co. Inc. N.Y. 1962, pp. 15, 16, 18, 19

(3) Paul L. Lawrence and Jay W. Lorsch, Organization and Environment, Harvard University, Boston 1967.

characteristics which allow firms to deal effectively with different kinds and rates of environmental change, and, more specifically, the idea that organizational variables are in a complex interrelationship with one another and with conditions in the environment. Successful management practices vary in accordance with the situation management faces. In other words, there is no one best way of organizing or of managing.

Victor Thompson's ideas on Bureaucracy and Innovation (4) and A. Etzioni's ideas on Modern Organizations (5) are also drawn on.

All of the above ideas are related to the problem of goal displacement in T.C.S. This relationship can be summarized as:

"the interplay between...(T.C.S.) and its relevant environment. The environment...(in turn) is decided by the key strategic choice, 'What business are we in?' once that decision is made, whether explicitly or implicitly, the attributes of the chosen environment can be analyzed... Internal attributes of the organization, in terms of structure and orientation, can be tested for goodness of fit with the various environmental variables and the predispositions of members. Unit performance (which will have to be judged by a number of dimensions, of which profitability is only one) emerges as a function of this fit." (6)

(4) Victor A. Thompson, Bureaucracy and Innovation, University of Alabama Press, University, Alabama 1969.

(5) Amitai Etzioni, Modern Organizations, Prentice-Hall, Inc., Englewood Cliffs, New Jersey 1964.

(6) Lawrence & Lorsch, Organization and Environment, p. 269 (The words "T.C.S." and "in turn" in brackets have been added.) See also p. 228 for an indication that the prospects for relating

From the above it is apparent that the starting point is the goal(s) of the organization.

Organizational goals serve a number of purposes. First, they describe a future state of affairs which the organization strives to realize, i.e. guidelines for organizational activity. Second, goals constitute a source of legitimacy justifying the activities of the organization and its existence. Third, goals serve as standards by which the members of the organization and outsiders can assess its success, i.e. its effectiveness and efficiency.

The real goals of an organization are those future states toward which a majority of the organization's means and the major organizational commitments of the participants are directed. The key criteria, then, for distinguishing real from stated goals are the allocation of resources and the direction of efforts. (7) Organizational effectiveness is determined by the degree to which it realizes its goals, but effectiveness is difficult to validate for organizations whose output is not material. While measurement tends to distort goals, goal displacement by management is a more serious problem, and it is one which presently plagues T.C.S.

discrete management practices to measures of performance are much brighter and that managers can reasonably expect some specific help from the findings that emerge.

(7) Amitai Etzioni, Modern Organizations, op. cit., pp. 5-9.

Characteristics of Goal Displacement

Goal displacement is the tendency of organizations to neglect major claimed goals in favour of goals associated with building or maintaining the organization. (8) This results from a fixation by the organizational personnel on internal problems and other individual and group goals so that the organization no longer serves its intended purpose.

Warner and Havens state the elementary proposition that there is an inverse ratio between goal displacement and goal attainment. More importantly, however, they assert that "goal displacement is minimal where goals are tangible." (9) They further state that the organization's system of evaluation and sanctioning reinforces both peripheral displacement of goals and the neglect of claimed goals in favour of goals designed to maintain the organization primarily as an end in itself. Since those in authority are frequently not inclined to increase goal attainment, true goals are difficult to attain. Hence, a further important reason for the displacement of goals is often the simple intangibility of the organizational goals. This is particularly common where the organization's programs are difficult to relate to a desired state of affairs. In the case of the T.C.S. the difficulty is to relate the output (benefits minus resources consumed) of the organization to the business community or to the economy.

(8) Robert K. Merton, Social Theory and Social Structure, Glencoe, Ill. The Free Press, 1957, pp. 199-202

(9) Warner and Havens, "Goal Displacement" op. cit., p. 539.

To say, for example, that T.C.S.' goal is to help increase Canadian exports "gives us no clue to the understanding of organization problems involved in realizing the goals." (10)

Additional characteristics of goal displacement are centred on the ability of an organization suffering from it to accommodate diverse and perhaps inconsistent sub-goals so that the organization can be "all things to all people." While this enables a wider range of people to have their goals served, it can however develop misleading expectations that the organization will actually fulfill them. When the organization does not attain their goals, frustration, dissatisfaction, even alienation can occur.

Another general hypothesis of goal displacement is that the more organizational events are tangible and measurable, the more frequently will they be used in organizational evaluation and sanctioning. Since the activities needed to promote the means of organizational equilibrium, survival, and growth tend to be more tangible and more easily comprehended than the activities necessary for the accomplishment of the ultimate goals professed by the organization, these tend to be more frequently used in organizational evaluation and sanctioning. Moreover, intangible goals result in uncertainty, anxiety, insecurity, frustration and risk; consequently, organizations tend to dispel this uncertainty by concentrating on the familiar, the known and ignoring the elusive but intangible goals.

(10) Jorolv Moren, "Organization Theories and the Study of Boards, Councils and Commissions in Public Administration", in Torben Agersnap (ed.) Contributions to the Theory of Organizations II, MunksGaard, Copenhagen, 1968, p. 69

Since organizations need sanctions to coordinate and control actions, such sanctions require evaluation. Evaluation in turn creates pressures for tangible goals -- the question becomes which goals will management choose in order to design its sanctions? Since what is sanctioned tends to be what can be evaluated, then what can be evaluated tends to be what is visible, tangible, and measurable. The lack of correspondence between claimed goals and the organization's sanctions is considered a source of conflict, especially of role conflict among members of the organization.

One reason for the tendency for intangible goals to be displaced in the direction of system maintenance is the lack of knowledge and skill in organizational design and implementation of goals. Another reason is that the organization is not willing to invest the resources or to bear the cost and risk to change the present system, even though its environment may have changed. Such risk is usually unnecessary anyway since organizational maintenance and the illusion of activity tend to be "all that is essential to what is judged to be the success of the system." (11)

Finally, and perhaps most importantly, those who control evaluations and sanctions, and the way in which goals are displaced, are often unwilling to devote resources to develop the required knowledge and skills to work out alternative goals and their corresponding sanctions and rewards.

The theoretical literature that has focussed on goal displacement identifies a multiplicity of causes. With these several

(11) Warner and Havens, op. cit., p. 550

potential causes in mind we can now proceed to describe, in preliminary way, the symptoms and causes of goal displacement in T.C.S. In the concluding chapter we will assess the strength of the several causes discussed above.

Seventy-six years ago when the first Trade Commissioner was appointed, management was unknown as an academic discipline or as an identified profession. Frederick Taylor had still to write about scientific management while Henri Fayol was some twenty-four years away from identifying the principles of management.

Management obviously existed long before Taylor and Fayol identified its principles. Management exists in all groupings of individuals who come together to achieve an objective. Clearly, however, the quality of management involves the capacity to clearly articulate objectives, to measure performance, to anticipate change and to adapt to a new environment. Today's good management may be the worst possible tomorrow because the environment has changed.

To study goal displacement in T.C.S. involves looking at T.C.S. as an organization (its objectives, structure and processes), its managers, the role of the Trade Commissioner, and the relationship of T.C.S. to the rest of its parent Department. Indeed, it involves considering a whole host of variables which have influenced its managers, no one of which, in itself adequately explains the displacement of goals. Some of these variables have had more effect than others at different periods in the history of T.C.S. However, the net result of the interaction of these variables on T.C.S. has been a significant degree of goal displacement.

How well T.C.S. has dealt with these variables is perhaps best illustrated by some symptoms displayed by its management. Not only is T.C.S. management still largely unsystematic,(12) it:

1. reacts to situations, rather than anticipating and planning for contingencies before they happen. This is the essence of incremental decision-making. (13)
 2. lacks standards of performance, which allows managers to become diverted from the "real" objectives of the organization and, in the personnel area, permits and encourages subjective personnel appraisals.
 3. stifles or ignores new managerial innovations and allows them to be introduced only when a crisis exists.
 4. introduces change in an incremental and disjointed manner and, as a result, the effectiveness of the change introduced is diminished.
 5. resists change more than does its subordinate organization.
 6. is unable to find an appropriate balance between centralized and decentralised control.
- This has a debilitating effect on the motivation of the individuals in the organization.

(12) See Stanley Young, Management: A Systems Analysis, Scott, Foresman and Co., Glenview, 1966, and Allen Schick, "Systems Politics and Systems Budgeting", Public Administration Review, March/April 1969, pp.137-151 for different but complementary points of view on systems management.

(13) See David Braybrooke and Charles E. Lindblom, A Strategy of Decision, The Free Press of Glencoe, N.Y. 1963, for an excellent description of incremental decision-making.

These are the symptoms of the present T.C.S. management system. They are typical features of an organization with intangible goals and where goal displacement has occurred. (14)

While the actions of management can be regarded as being "rational" given the forces exerted on it, nonetheless such "rational" behaviour can be looked upon as being very "irrational" when one gets no clear answer to the question, for what purpose is all the activity and resources expended? This thesis does not pretend to fully answer that question. It does however attempt to illustrate how serious the problem of goal displacement is in T.C.S. (and, by inference in the public sector) in terms of the evaluation of ongoing programs. Given the increasing demand for government programs and the finite resources available, finer evaluations are becoming much more important. Government can no longer afford to ignore the setting of relative priorities for ongoing programs and for new programs. (15)

Identifying behaviour as being "rational" is, however, only going part way to solving the "problem" of an organization like T.C.S. (16) Full problem solution requires normative judgments as to what "ought" to be. Indeed, a solution for one person can be a compounding of the problem for another, or, for a third party, it can be needless change in a very satisfactory

(14) Warner and Havens, op. cit., p. 541

(15) Committee on Government Productivity, Interim Report, Number Two, Queen's Printers & Publishers, Toronto, 1971, pp. 4, 5, 7, and 14.

(16) In his analysis of means-ends structures Christer Wallroth suggests that a decision-maker's rationality is influenced by the following limitations:

1. His knowledge of the goal is incomplete.
2. His acceptance of the goals varies.
3. He has limited knowledge concerning alternative actions.
4. The prevailing cultural environment restricts the number of alternatives which are conceivable and applicable.
5. His problem solving ability varies.

state of affairs. This thesis is deliberately normative, indeed, it suggests areas where changes need to be made if management is to control better the other variables which impact on it. What is suggested are not specific, alternative "tangible" objectives for T.C.S. but the changes in approach its management should consider if it is ever to be capable of defining explicitly what those objectives are.

The use of the word "problem" is normative; it involves a value judgment. T.C.S.' "problem" will be looked on, and its management evaluated from four perspectives. First, T.C.S.' position in competition with other non-departmental organizations for the control of the export trade promotion function. Second, T.C.S.' relative importance within the Department and the functional responsibilities it has acquired. Third, the appropriateness of T.C.S.' own internal management structure and processes. Four, T.C.S.' right to survive. This latter aspect will not be dealt with in any depth.

The most prominent of the variables with which T.C.S.' management has had to grapple can be grouped under the following headings:

1. Political Influences

- a) those organizations which demand or demanded services from T.C.S., e.g. business organizations, such as the Canadian Manufacturers Association;

6. His value system varies.

- 7. The environment is constantly changing. What was rational yesterday may be irrational today. The decision-maker, however, requires a period for readjustment.

cf. also Christer Wallroth: "An Analysis of Means-End Structures", in Torben Agersnap (ed.), Contributions to the Theory of Organizations II, MunksGaard, Copenhagen, 1968, pp. 110-111.

the Canadian Exporters Association; individual Canadian businessmen; foreign businessmen and associations;

- b) the influence of Ministers of the Department and Departmental officials outside of T.C.S., particularly those individuals or organizations which were set up in competition to T.C.S., e.g. the Provincial Trade Departments, and the Department of Defence Production.
- c) the tendency in government to set up competing organizations rather than working through existing organizations e.g. as far as T.C.S. is concerned, the Departments of Industry and Defence Production;
- d) the political conditions (war 1914-18, 1939-45).
- e) the political philosophy in Canada which has been basically "free" enterprise but with increasing governmental assistance to business.

2. Economic Influences such as:

- a) the increase in the importance of export trade involving large companies and parent-subsidiary relationships (multi-national companies).
- b) the increase in the importance of trade access relative to trade promotion as a contributing factor to Canada's export trade;
- c) economic conditions (the depression years 1929-33, the boom years --- post 1945);

- d) the legal, trade and tariff policies of Canada and other countries.
- e) Rapid Pace of Change, particularly the increase in the speed of gathering and sending of foreign market information and the increase in the alternative sources of assistance available to Canadian business other than the T.C.S., e.g. the increase in foreign travel, airmail, telephone, telex, banks, etc.

3. Personal Influences such as:

- a) the generation gap in managerial styles in T.C.S. beginning in the mid-1960's;
- b) the desire for professionalization of T.C.S.; and the establishment of a closed career system;
- c) the ability of individuals within T.C.S. to gain personal satisfaction from their work environment;
- d) the calibre and qualities of the personnel attracted to and hired as Trade Commissioners.

4. Other Influences such as:

- a) the external pressure on government organizations from control agencies (Treasury Board and to an increasing extent the Privy Council Office) to justify their expenditures and implicitly their continued existence;
- b) the conventional wisdom that exporting is a good thing and that Trade Commissioners effectively assist in the promotion of trade.

- c) governmental and departmental reorganizations;
- d) the explosive growth in the number of Trade Commissioner posts since 1945;
- e) the declining importance and prestige of official representatives, such as Trade Commissioners, and the decline in the relative monetary advantage of living overseas vis-a-vis the standards of living of public servants in Ottawa or in private industry;
- f) the increasing and more immediate contact of posts with the Department. No longer does a Trade Commissioner sail away to a post to reappear as a legend three years or so later and continue to do this for a lifetime. The telephone is too handy and, if he lives on the other side of the world, he is likely to have his sleep disturbed.
- g) the "Saturation Psychosis" (17)
This includes the "burdens" imposed on Public Service management such as Collective Bargaining, P.P.B., language training, position classifications, etc., beginning in the mid-1960's.

(17) H. L. Lafrombroise: "Administrative Reform in the Federal Public Service: Signs of a Saturation Psychosis" (unpublished paper), Ottawa, Sept. 1970. This paper argues that the various techniques provided to, and demands made upon, the manager with the purpose of "assisting" him occupy so much time he is overwhelmed.

5. Managerial Calibre

This variable is by far the hardest to define, without being normative, especially if there are no output oriented objectives against which to assess a manager's calibre. Calibre is defined here as the ability to identify organizational objectives and output measures and to make them known throughout the organization. Moreover, it involves the development of a sensing device to anticipate change and plan for its accommodation. This definition cannot, however, take into account differences of opinion as to how ambitious or how narrow the objectives of the organization should be; such opinions are also normative.

This thesis maintains that management calibre is, however, a key variable in explaining goal displacement in T.C.S. Further, the calibre of an organization's management to a large extent determines whether an organization is to be controlled by forces or variables acting upon it or whether it is to control or influence them to its advantage.

This thesis also maintains that T.C.S. management has, over the years, been so enamoured with the development of a closed career system, with its inherent professionalism and 'lifestyle', that it has neglected its sensing device and abdicated its managerial responsibilities to identify objectives, to measure performance and to develop leadership. As a result, it has missed opportunities for meaningful growth and effective service on the one hand, and has ignored the portents of change which signify that its role may no longer be relevant or justifiable, on the other hand. Furthermore, this thesis maintains that the management calibre was the key variable which affected the adequacy of T.C.S.' own internal

structure and processes, and which stimulated much of the competition from other organizations, both within the department and elsewhere, for new functional responsibilities or a share in old responsibilities.

T.C.S. Today

Today, the Trade Commissioner Service considers itself as the overseas arm of the Department of Industry, Trade and Commerce primarily concerned with the promotion of Canada's foreign trade. (18) To carry out this responsibility, Canadian Trade Commissioners are stationed in 74 key commercial centres in 53 countries, accredited as official representatives of Canada to the foreign governments concerned. (19) Sometimes, because of the size and importance of the market, as in the United States, for example, there are several posts in one country. Conversely, the territory of one post may embrace more than a single country, for example, the officers in Vienna are accredited to several central European countries.

In any event, T.C.S. feels that a Trade Commissioner must always be alert to prospects for trade and must maintain close contact with local businessmen and government trade officials. Additionally, familiarity with, if not fluency in, the language of the foreign country is an asset.

At no time does the Trade Commissioner handle any money. He

(18) How much longer T.C.S. will remain part of Industry, Trade and Commerce is unknown. Already administrative integration with External Affairs at posts has occurred. This is considered a forerunner of full integration of T.C.S. with External Affairs some time in 1971 or 1972.

(19) As at June 30, 1970.

is not an agent as the only goods coming into his possession are samples for the purpose of displaying product lines to potential buyers. His job is liaison; his purpose is a personalized assistance to the Canadian trader. He makes introductions, and facilitates communication between the Canadian businessman and the foreign customer. Once a trade connection is established, or the parties are on the road to an understanding, the Trade Commissioner withdraws to the background.

When an international trade fair has been confirmed by Ottawa, the Trade Commissioner becomes fully responsible for all the details other than the actual design and construction of the stand. Trade promotion through trade fair participation is a task which falls to the lot of many overseas offices each year.

Sometimes, in conjunction with a trade fair exhibit, perhaps as an independent project, a Canadian Trade Mission will visit an overseas office. Such a visit, which may have been organized by the Department in Ottawa, will require painstaking advance preparations by the Trade Commissioner to ensure that the project exploits the trade opportunities to the full.

Similar careful organization precedes visits by individual Canadian businessmen. Market reports, appointments with potentially-interested local businessmen, credit information on prospective customers and up-to-date information on tariffs, import quotas, exchange controls, etc., are all details which the Trade Commissioner will have ready for his visitors.

Reporting is the second major aspect of the Trade Commissioner's work. He is expected to provide reports in response to specific inquiries

from Government departments in Ottawa or private firms. Additionally, he will initiate reports on trade matters for the use of both Government and private industry. These reports may vary in length from a short trade note of one paragraph to a market report running to many pages. They will vary in purpose from those destined for publication to those intended for the use of a particular firm.

Frequently associated with this basic responsibility for reporting is the need to advise and consult with the resident Canadian Ambassador, Minister, or Consul General on trade and economic matters. In the case of many posts, the Trade Commissioners are an integral part of a Canadian diplomatic mission and the Trade Commissioner is advisor to the Head of the Mission.

Promoting the Industrial Development of Canada now comprises an increased portion of the Trade Commissioner's workload. Through him, foreign investors are informed of investment opportunities and are encouraged to invest in Canada. The Trade Commissioner must also keep Canadian businessmen informed concerning the new production and marketing techniques used in the country in which he is posted.

Every Trade Commissioner is an official representative of his country; this status carries both responsibilities and privileges. Frequently, a Trade Commissioner is designated as Canada's delegate at an international conference. On occasion, he may participate only as an observer in which case he will simply report the proceedings to Ottawa. On others, he may be an active participant briefed to speak for his Government and charged with the responsibility to maintain Canada's interests.

Representation includes more than just good public relations and involves attendance at official receptions as Canada's local trade representative and the entertaining of local businessmen and Government officials. At posts where the Canadian trade office is the only Canadian Government establishment in the territory, the Trade Commissioner may undertake consular duties.

The work is varied. In any one day an officer may have discussions on a half-dozen widely-different commodities, shipping services, terms of payment, customs duties, labelling regulations, or attend an official reception. There may be a trade dispute to resolve; a prominent local merchant may want help in planning a business trip to Canada or merely the names of good boarding schools for his daughter. All are possible demands on a Trade Commissioner's time. All provide scope for personal initiative and resourcefulness.

Whatever the demands, the officer on the spot must have a thorough knowledge of Canadian business, and Canada's commercial interests. Such understanding is developed throughout the Trade Commissioner's career by special training, personal contact with Canadian businessmen, regular tours of Canada, and duty in Head Office.

Over the course of its more than 66 years (20) in existence, the Canadian Trade Commissioner Service has built up a reputation for prompt, courteous and efficient service. As a career, membership provides

(20) Calculated from 1904 when a separate branch was formed. The first Trade Commissioner was appointed in 1894, however.

variety, responsibility, scope for initiative, job satisfaction and the reward of having been of service to Canada. (21)

Such are the declared functions of today's Trade Commissioner Service and the image which its management wishes to project to prospective Trade Commissioners and to the business community. It is an image which has changed little throughout its history even though its environment has changed dramatically.

It is obvious from the above description that T.C.S. is a development or service organization. To attain development goals a means-ends chain must be built to bridge the distance between intangible goals and individual goal prescriptions. (22) Moreover, a means-end chain is increasingly necessary to link what an individual Trade Commissioner does and the resources he consumes with the organization's output. How T.C.S. functions developed is the subject of the next chapter.

(21) Trade Commissioner Service: The Role of the Trade Commissioner Service, (Revised June 1969).

(22) Herbert A. Simon, Administrative Behaviour: A Study of Decision-Making Processes in Administrative Organizations (2nd ed.) New York, The Free Press, 1965, Chap. 4.

CHAPTER II

THE HISTORY OF T.C.S. AND THE DEPARTMENT OF TRADE AND COMMERCE 1892-1965 - PHASE I

This chapter discusses the history of T.C.S. and to a lesser extent the Department of Trade and Commerce from 1892 to 1965. Its aim is to establish the need for a Department and a foreign trade service as seen by the politicians and bureaucrats of the day. In addition, it describes the growth of the Service and identifies opportunities available but not taken.

Whatever the objective in establishing a Department of Trade and Commerce there is no doubt that the Federal Government had the constitutional power under section 91, head of the British North America (B.N.A.) Act. There is doubt as to what trade and commerce means, however. By 1881, the Judicial Committee of the Privy Council excluded from section 91(2) "The power to regulate...the contracts of a particular business or trade...in a single province,"(1) but, international, interprovincial, and general trade affecting the whole of Canada was recognized as being within the Federal Government's power.(2)

(1) *Citizens Insurance Co. vs Parsons*, (1881), 7 App. Cas 96 at P. 113 quoted from Peter H. Russell, Leading Constitutional Decisions, Carleton Library, No. 23, p. 11.

(2) Ibid., p. 82.

Pre-1892

Prior to 1892 there was no distinctly Canadian, centrally directed, commercial representation abroad. Whatever commercial representation and intelligence collection Canada did have came from the British Diplomatic Service, the office of the Canadian High Commission in London (established 1880), emigration agents of the Department of Agriculture (located in U.K. and on the Continent), and the office of the Commissioner-General, Paris (established 1882). (3, 4)

Other departments, notably Finance under Sir George Foster, were also interested in foreign trade and contributed a major element to the new Department of Trade and Commerce, namely the concept of commercial agents abroad. This concept, conceived by Finance in the mid-1880's, resulted in the appointment by Finance of six part-time Commercial Agents early in March 1892. (5)

Although responsibility for Trade and Commerce was specifically given to the Federal Government, no functional government department was established to concentrate on this area until 1892. By that time, of course, the Judicial Committee of the Privy Council had already begun to narrow the jurisdiction of the Federal Government's power under this head. (6)

(3) The British Government's control over the negotiation of Canadian commercial treaties was from this time on (1907) no more than formal, although it continued to intervene at three stages in the proceedings; the British Government (on the recommendation of the Canadian Cabinet) appointed the plenipotentiaries, one of whom was always a British Official; the latter, as well as the others, signed the treaty; the ratification was given by the King upon the advice of the British Cabinet. Even this nominal control was sometimes avoided by the Canadian Government negotiating informal agreements which were implemented by the two parties enacting reciprocal legislation, a device which eliminated the British Government completely.

During the 1870's and 80's, business associations, such as the Montreal based Dominion Board of Trade, called for a central office for the collection and analysis of information on internal commerce and external

By 1914 Canada "was no longer bound by new trade agreements made by the British Government unless she so desired..."

Dawson & Ward, The Government of Canada, University of Toronto Press, 4th Edition, p. 49.

(4) The Trade Commissioner Service 1892-1911, p. 1.

(5) These commercial agents were private business men located mainly in the West Indies. It is from the name Commercial Agents that the first headquarters organization under the Superintendent of Commercial Agencies received its name in 1904. Subsequent name changes were made in:

1907 - full time Commercial Agents became Trade Commissioners. Superintendent of Commercial Agents became Superintendent of Trade Commissioner Service.

1911 - The Commercial Intelligence Service became a separate branch but the Trade Commissioner designation did not change.

1945 - The Commercial Intelligence Service disappeared while the Trade Commissioner Service name reappeared comprising the overseas officers and the Ottawa Headquarters.

1968 - Office of External Trade Services (O.E.T.S.) was created.

In any event, T.C.S., C.I.S., or O.E.T.S. mean the same thing in this paper, for all intents and purposes, although at different periods they have included a number of non-foreign Service officers.

(6) See Peter H. Russell, Leading Constitutional Decisions, Carleton Library, Number 23, 1965.

trade, production figures, statistics of the commerce of foreign countries, tariff prices and transportation information. Similarly, the Ontario Manufacturers Association suggested that the Canadian manufacturer should be provided with facilities "of business connection which only government can accomplish and which individuals are almost powerless to create".(7) These demands mark the first indications that business wanted government assistance in export trade. This association between government and business was to grow closer over the years.

After some hesitation, the Macdonald government introduced a bill in 1887 to establish a Department of Trade and Commerce. Opposition criticism to the creation of a new department in a time of financial "crisis" was severe. Both the Commons debates and the Act establishing Trade and Commerce were so general as to suggest that there was never a clear idea as to the objectives of the new department.(8) Moreover, the Act gave the department broad yet residual responsibility, viz., relating to such matters connected with trade and commerce as are not by law given to any other Departments.

Even after 1892 there was no articulation of objectives, although some obvious and some not so obvious responsibilities were transferred to it,

(7) Article in the O.M.A. publication in the Canadian Manufacturers and Industrial World, August 4, 1882, Vol. 1, No. 9, p. 410, Business Connection.

(8) See Appendix A for the Trade & Commerce Act.

for example, steamship subventions and Commercial Agents were transferred from the Department of Finance, while the administration of the Chinese Immigration Act was transferred from Customs in 1892.

As an element of the Departmental system, T.C.S.'s objectives of necessity should complement all or part of the Departmental objectives. The broad nature of the early Departmental objectives can be divided into domestic trade and export trade responsibilities.

Since no formal T.C.S. organization was formed within the Department until 1904, T.C.S. "objectives" from 1892 to 1904 were therefore synonymous with the Department's export trade objectives. Throughout its early history with few exceptions, the grain trade and steamship subventions being the principal ones, anything the Department did to promote export trade was done mainly through the Trade Commissioner Service. This is important to remember because the situation changed later. It could be argued, though, that government inspection of staple products, including grain played an important role in such products gaining world recognition and acceptance in export markets.

During the first few years the Department operated in a partial vacuum as is clear from Sir John Thompson's statement on February 24, 1893:-

It is impossible for us, at the present time, to give the House in detail a statement of what duties will be delegated to that department, considering that only a little over a month elapsed between the establishment of the Ministry of Trade & Commerce and the opening of Parliament.(9)

(9) H.C. Debates February 24, 1893, pp. 1244-1245. It is a classic case of planning by hindsight.

Regardless of this uncertainty, it is clear that for some years whatever the Department did in external trade promotion it considered the Trade Commissioner Service as the means for achieving its objectives. At what point and why did T.C.S. allow itself to diverge from this concept? Many of T.C.S. present problems would appear to stem from that divergence as it would seem to indicate the beginning of a hardening of its functional arteries.

Bowell & Ives 1892 - 1896

From January 1893 to June 30, 1896, the Department grew little either in staff or expenditures and only employed 7 persons on a permanent basis in addition to 6 part-time Commercial Agents.(10)

Under W.B. Ives, there were no striking changes in the work of the Department of Trade & Commerce. The Department was given no new major responsibilities, and for the most part Ives continued the work begun by Bowell,(11) which included the development of trade and communications with the British West Indies, steamship subsidies to the West Indies, and regular publication of reports of the West Indies Commercial Agents. There was no sign of the expected increases of export to the West Indies by 1896.(12)

(10) The Department of Trade & Commerce under Bowell & Ives 1892 - 1896, pp. 10, 11, 12. Unpublished paper on Trade & Commerce.

(11) Ibid., p. 18F.

(12) Ibid., p. 18G.

Bowell also placed great emphasis on the expansion of Canada's export trade to Australasia and established a Canadian-Australian steamship service (1893), went on a mission to Australia (1893), convened an Ottawa conference on Canadian-Australian trade and communications (June, July 1894), appointed the first full-time Commercial Agent (August 1894) to Sydney, New South Wales, and became interested in Canadian-South African trade.(13) Little or no attention was paid by the Department to either the United Kingdom or the United States markets - Canada's largest, as these were considered directly accessible to Canadian exporters.(14)

It was also during the Bowell-Ives administrations that some attempt was made to utilize the information being provided by the Commercial Agents. These were feeble attempts and indicate the unsystematic thinking behind the Commercial Agent concept, viz., Commercial Agents were there to provide information for the exporting community but little or no means had been made available for passing on that information nor in fact for ensuring that the Commercial Agents were located in the most appropriate markets.

External Trade Promotion

With the appointment of the first full-time Commercial Agent in 1894, the Department took its second step overseas to implement its objective

(13) Ibid. p. 23.

(14) Ibid., pp. 67 & 87.

to help Canadian export trade, the first being the appointment of part-time Commercial Agents. If the Trade Commissioner Service was to become the organizational means for achieving this objective, its functional means was the provision of information. With the appointment of the first full-time Commercial Agent came the first definitive objectives not only for Commercial Agents but for a large part of the Department's role in export trade promotion. These objectives were:-

- to collect and report to the Department of Trade & Commerce, general information respecting trade requirements in the principal cities of Australasia and in the Dependencies and Islands adjacent, as well as specific information as regards all individual industries connected with which there may be found prospects of an interchange of products between such localities and the Canadian markets.
- to report from time to time the names and addresses of dealers in particular lines of goods of a kind produced or manufactured in Canada.
- to give information to dealers in Australia, etc., in respect of such Canadian goods, the names and addresses of the Canadian producers or manufacturers.
- to report monthly to the Minister of Trade and Commerce the demand for and supply of such goods as are of a kind produced or manufactured in Canada, as well as upon such matters as may assist in developing trade or be of interest in connection therewith.
- to answer Canadian correspondence relative to trade and commercial matters in the business centres of Australasia, etc., and Australasian correspondence relative to such matters in Canada.
- to promote and extend, as far as information and suggestions may enable him, trade between Canada and Australasia.
- to be subject at all times to such instructions and requirements in respect of trade matters as may be issued by the Minister of Trade and Commerce.(15)

(15) P.A.C., T & C files V.6 file / 1622, August 24, 1894. The Commercial Agent for whom these objectives were developed was Mr. John Short Larke, who was appointed as Commercial Agent, Sydney, New South Wales.

Two departmental publications, an Annual Report and a Quarterly Report, were used during this period to disseminate commercial information. The issuance of the Annual Report was mandatory but its format was not. The first Annual Report contained 3 parts: a) Statistical and Financial Statements, b) Commercial Relations and Information referring to the trade of different countries including reports received from the Commercial Agents until 1894, and c) Customs Tariffs of Great Britain and her Colonies. Most of the information in the Annual Report had already been published elsewhere but "very few were available for distribution to the Commercial public" as only 500 copies were printed and these were distributed mainly to Government officials.(16)

In 1894, A Quarterly Report was published. These quarterly reports were distributed as issued and considered supplementary to the Annual Reports. (17)

The Quarterly Report was subsequently replaced by a Monthly Report and contained sections on statistics, new tariffs, tariff changes, reports of Commercial Agents, and general commercial information. Like the Annual Report, few copies of the Quarterly Report found their way to the Commercial public, mainly because of the limited number which could be printed (500 later raised to 1,000 in 1897).(18)

(16) Ibid., p. 90.

(17) Dominion of Canada, Report of the Department of Trade & Commerce for F.Y. ended 30th June 1894, pp. 9 - 10.

(18) The Department of Trade & Commerce under Bowell-Ives 1892 - 1896, p. 92.

In 1904 a Weekly Report was issued, containing reports from Commercial Agents and trade inquiries for Canadian products.(19) Also in 1904, circular letters were sent to Trade Commissioners requesting special reports for the Weekly Report on such subjects as "How to Increase and Maintain Canadian Trade". However, in 1906, 1907, 1908 this practice seems to have been almost totally abandoned as it was used only once during that period, in 1907.(20)

In 1909, it was announced in the Weekly Report that on the first of every month, for some time at least, a report from every office of the Trade Commissioner Service upon some special subject would be published. By this means greater attention, it was hoped, would be directed to export opportunities.(21) Each report was to be based on a set of questions put to the Trade Commissioner, via circular letter, by Headquarters.

The principal criteria for measuring the worth of a Trade Commissioner, from 1892 to at least 1911, were: 1) the number and calibre of his written reports for publication, 2) the number of trade inquiries, 3) the number of foreign addresses furnished to readers of departmental reports. By far the most important was the number of reports.(22)

(19) Title changed to Weekly Bulletin in 1915. Commercial Intelligence Journal in 1922, and 'Foreign Trade' magazine after World War II.

(20) The Establishment and Development of the Trade Commissioner Service 1892 - 1911, p. 128 - an unpublished paper.

(21) Trade & Commerce Weekly Report #297, October 4, 1909, p. 881.

(22) The Establishment of the Trade Commissioner Service 1892 - 1911, pp. 76 - 77. See also Chapters V and VI.

Sir Richard Cartwright 1896 - 1911

From 1896 - 1911, Cartwright, the first Liberal Minister of Trade & Commerce, was pretty well excluded from commercial policy as "the determination of (it) was kept largely by Laurier or left to Fielding in Finance or Paterson in Customs, rather than to Cartwright".(23)

Commercial representation abroad increased slowly but it was not until 1902 that the second full-time Commercial Agent was appointed, this time in South Africa. In 1903, three Commercial Agents were appointed in the United Kingdom.

Trade Commissioners were quite independent of Ottawa. So much so that it was not until 1904 that a Superintendent of Commercial Agents was established with F.C.T. O'Hara being appointed to the position. This marked the beginning of T.C.S. Management as a distinct level of management below the Deputy Minister. In 1907, the name was changed to Superintendent of Trade Commissioners and all full-time Commercial Agents became Trade Commissioners. The object of the change was to enhance the status of Canada's Commercial representatives. (See organization Chart I).

When O'Hara replaced Parmalee as Deputy Minister in 1908, the office of Superintendent of Trade Commissioner was abolished and all Trade Commissioners reported to the Deputy Minister. T.C.S. was then very much O'Hara's creature, although even he had to work within such limitations as patronage which limited his ability as a manager to select and control the

(23) Origin and Early Development (1892-1911), p. 11.

Departmental Organization Chart - September 1, 1908.

*** Transferred to Post Office January 1st, 1912.

quality of Trade Commissioners.(24) O'Hara did endeavour to make the information provided to business more uniform, systematic and regular, mainly by systematizing the compilation of importer and exporter directories and the handling of trade inquiries.

While the Service grew between 1894 and 1911, O'Hara felt "the question of the extension of the Canadian Trade Commissioner Service is merely one of money ... the Trade Commissioner Service as it exists today offers more facilities to the Canadian manufacturers and exporters than they can avail themselves of".(25) One is left wondering if under these circumstances the need to expand would not be a more valid question than the lack of money.

Concern as to what actually was happening at posts was suggested as early as 1907 by the Minister of Trade & Commerce, Sir Richard Cartwright, who in a letter to Sir Wilfrid Laurier, referred to the creation of an inspector of Commercial Agencies; however, this was not acted upon until 1919.(26)

(24) It was not until 1918 that 'outside Service' personnel like Trade Commissioners came under the Civil Service Commission. The patronage system had a significant impact on the quality of early personnel and took this important management function out of the hands of departmental managers. Political interest in T.C.S. vacancies is described by O'Hara in a letter to a prospective applicant - "when there is a vacancy in the Trade Commissioner Service, the government is besieged with applicants strongly supported by various members of Cabinet, so there is not much hope ... for you". P.A. Records Centre, T. & C. file A-710, Beckworth to O'Hara, April 15, 1911.

(25) P.A.C. Laurier papers, V. 543, 495-147, 498 O'Hara to Sir Richard Cartwright, November 11, 1908.

(26) Ibid., p. 24

Because no clear-cut objectives were developed for the Department it was difficult for Ministers to evaluate the effectiveness of the Department's commercial intelligence activities. When the Minister of Finance, Fielding, attempted to do so in 1905 he stated, "I imagine that a service of this kind is something like an advertisement in a newspaper; you are never quite sure how much of the trade you get is due to the advertisement, yet advertising is a good thing".(27)

A role or function, then, was being developed for the Department that of providing information to the business community on at least some aspects, if not all, of foreign trade. But what is fascinating is to see how the Department tuned in some channels much more strongly than others. Imperial information was preferred to non-imperial information; information from other than the United States preferred to information from the United States: information about the demand for exports preferred to information about the supply of imports; information about export demand for manufacturers preferred to information about demand for staples. To recognize this controlling, or screening process, is to imbed the Department in the political system as well as the economic system.(28) During this period Commercial Agents were beginning to show samples of Canadian products to foreign importers and started what has been called the "personal touch".(29)

(27) Origin & Early Development (1892-1999), p. 16.

(28) Ibid., p. 17.

(29) Comment by Mr. H.L. Brown, former Trade Commissioner, Director T.C.S. and Assistant Deputy Minister (External Trade Promotion).

By March 1911 the Department's Ottawa staff, not including the Minister and Deputy Minister, numbered 38, plus seven temporary employees. In September 1911 there were 19 Trade Commissioners and six part-time Commercial agents on six continents and in 20 countries and colonies. (30)

Sir George Foster 1911 - 1921

Regulations governing Trade Commissioner's official activities and behaviour were codified in 1911 in a booklet entitled "Instructions to Canadian Trade Officials".

The Commercial Intelligence Service (C.I.S.) (31) Headquarters staff acted as the middleman, receiving and despatching communications to both Canadian exporters and Canada's foreign trade representatives. In addition the duties and responsibilities of the (C.I.S.) headquarters at Ottawa were numerous and not always well-delineated. They included supervision of the work of Trade Commissioners and Commercial Agents, the handling and follow-up of trade inquiries, the preparation of Export and Import Directories, publication of the Annual Monthly and Weekly Reports, dissemination of trade information to Trade Commissioners and Commercial Agents and many other tasks not directly related to the promotion of Canada's export trade. (32)

The first attempt to reorganize the Commercial Intelligence Service

(30) Origin and Early Development (1892-1911): The Department of Trade & Commerce file A-32, Tunney's Pasture.

(31) In 1911 the name of the Trade Commissioner Service was changed to the Commercial Intelligence Service. T.C.S. and C.I.S. was used synonymously from here on.

(32) The Reorganization of the Trade Commissioner Service 1911-1914, page 15.

came when Foster appointed Richard Grigg as Commissioner of Commerce. This move effectively curtailed F.C.T. O'Hara's authority over the Service.

Grigg was asked to undertake five assignments on taking office:

- 1) To keep a sharp lookout for a man of good experience and ability in the line of statistical organization and coordination of methods of economy and efficiency in Departmental work.
- 2) To ascertain what steps could be taken towards cooperation between Britain's Consular Service and our Canadian Government in the line of:
 - a) Assisting Canadian Trade Commissioners where such are established, and
 - b) In facilitating Canadian Trade, especially exports, where Canadian Trade Commissioners are not established....
- 3) To visit, examine and report upon the existing Trade Agencies in Europe as to:
 - a) The situation and adequacy of the offices and their general effect and efficiency,
 - b) The capabilities and efficiency of the Commissioners, their standing and influence, and the office and the officer has in the community,
 - c) The quality and scope of the work done by each,
 - d) The staff employed and its adequacy and efficiency or otherwise,
 - e) The general results, and
 - f) Suggestions for change - a betterment.

- 4) A general survey of the field to be occupied, the area which might be placed under one Commissioner, and the headquarters which would be most suitable. For instance, it would appear that one Commissioner could do more than look after Holland, and if Holland were suitable as a headquarters of the district, maybe Rotterdam, or some other point would be preferable to Amsterdam. In the same way, Berlin might not be so good a point for our purpose as some city in Germany - in those parts of Germany which are hives of industry with wide connections. In this connection, it might possibly be that Holland, Belgium and part of Germany might form one district under one central headquarters.
- 5) Any information as to the incidents (sic) of freight rates and insurance rates as affecting British North America adversely in comparison with more southern parts.(33)

Points 2, 3 and 4 were directly relevant to the Commercial Intelligence Service; but they did not, by any stretch of the imagination, call for a thorough review of the role of T.C.S. In fact it was assumed it had a role and that it was clearly understood by all. The Foster-Grigg reorganization then accepted all of the previous administration's 'objectives' and assumptions of the Department's role in export promotion and its role vis-a-vis the exporting community and concentrated on the administrative means for implementing them. Greater efficiency was the primary reason for the investigation.

(33) George Foster to Richard Grigg, December 20, 1911, Department of Trade and Commerce file A-32, Tunney's Pasture.

Grigg did observe, however, that "as presently organized, the Trade Commissioner Service appears to indicate a lack of coordination because of the absence of a central authority to whom difficult points could be referred without loss of time and which would provide the important factor of efficient inspections of various offices".(34) The Interpretation of "difficult points" has been an important factor in subsequent organizational designs of T.C.S. Grigg also made recommendations to the Minister regarding the inspection of offices abroad and the appointment of a Chief Trade Commissioner in Great Britain. In addition, he established that duplicates of all letters despatched by Trade Commissioners should be sent to the Commissioner of Commerce.(35) It was not until 1968 that this practice was discontinued at which time it was estimated that over 250,000 copies of correspondence were sent by posts each year to T.C.S. Headquarters.

Grigg reaffirmed in his 1914 Annual Review that "the purpose of the Canadian Commercial Intelligence Service is to promote the sale of Canadian products abroad and to provide Canadian manufacturers and exporters with information regarding trade conditions and opportunities in countries in which Canadian goods are likely to find a market".(36) This is one of the first definite statement of objectives which identifies export promotion as being not only a departmental objective but a C.I.S.

(34) Richard Grigg to George Foster, April 11, 1912, Department of Trade and Commerce files #18, 1965, Volume 1, Tunney's Pasture.

(35) Quoted from "The Re-organization of the Trade Commissioner Service 1911-14," p. 76.

(36) Richard Grigg, February 10, 1915, supplement to Weekly Bulletin.

objective. The Commercial Intelligence Service was coming of age. In the Grigg-Foster era, the first "inspection" of offices took place.(37)

Foster, more than any previous Minister, took an active part in the direction of C.I.S. even though the amount of time he spent in Ottawa was minimal. Many matters of policy, especially those in regard to reorganization of the Trade Commissioner Service, hung fire while Foster was away.(38) Moreover, while Foster was Minister, the Department's responsibilities in the regulation and promotion of domestic commerce also expanded considerably mainly due to the war and the curtailment of enemy imports. There was a good deal of emphasis in Canada upon the need to develop domestic industry. (39) Foster played a key role in creating the National Research Council in 1916 to help promote Canadian industry.(40) The war also brought the Department "into unprecedented contact with Canadian businessmen ... (and) it also provided a backlog of experience which might be utilized for the post-war period".(41)

The principal responsibility of Trade and Commerce for domestic commerce was supervision of grain marketing. As pointed out earlier, this had export implications as well. By 1918, there was an upsurge in the scope

(37) The first travelling inspector was appointed, H.R. Pousette, July 7, 1919.

(38) Headquarters Organization of Trade & Commerce and the Growth of the Department 1911-1921.

(39) Ibid., p. 70

(40) G. Bruce Doern, "The National Research Council: The Cause of Goal Displacement" Canadian Public Administration, Summer 1970, Vol. XIII No. 2, p. 142.

(41) The Role of the Department in Trade Promotion and Regulation, 1914-18, p. 245.

and complexity of Departmental activities in the domestic field with the transfer to it of several responsibilities (see Organization Chart II). These domestic responsibilities were largely regulatory as opposed to the promotional effort in the export field.(42)

1921 - 1947

The period 1921 to 1947 saw significant changes in the size of the C.I.S. headquarters organization, refinements of its functions, in recruitment procedures, in demands for increased Trade Commissioner status, in the growth of the number of officers and posts and greater emphasis, as a result of the depression and World War II, on trade policy by the Department.

By 1923 the Commercial Intelligence Service, at Ottawa, consisted of a Director - in charge of the Service both at home and abroad; a Secretary - assistant to the Director, and in charge of administration and correspondence; a Trade Inquiries Division - responsible for the furnishing of all information relating to inquiries for Canadian products for foreign markets: a Commercial Intelligence Journal - a weekly publication containing the reports of Trade Commissioners and all information disseminated by the Department relating to export trade.

Trade Commissioners were being used by Canadian firms as sources of information such as the names of foreign importers and agents, trade statistics, foreign customs duties and tariff rulings, and proper forms of invoice.

(42) The Role of the Department 1911-1921, p. 74C. These regulatory functions included grain inspection, electricity and gas inspection, patents and copyrights and weights and measures inspection.

DEPARTMENT OF TRADE & COMMERCE

Departmental Organization Chart - March 31, 1922

Shortly after James Malcolm, the new Liberal Minister, took office in 1926 consideration of a "massive expansion of the Service was begun".(43) Based on the assumption that Canada's export trade could be expanded appreciably with the opening of new posts, the retiring Director of the Service suggested two new posts in the United States, at Chicago and San Francisco, as well as offices in Madrid, Yokohama, Athens, Lima, Scandinavia (either Stockholm or Copenhagen), Central Europe (either Vienna or Prague), Nairobi, and Columbia.(44)

Deputy Minister O'Hara asked the incoming Director, C.H. Payne, for his comments on increasing the size of the Service. Payne noted only two constraints: a) not enough Trade Commissioners to staff the new posts and b) insufficient information as to where to locate the offices. No attempt was made to question whether the 'means' of new post openings was the best alternative available to the department - it was just assumed. In any event a recruitment program was initiated while some attention was paid for identifying suitable locations for posts, with Central and South America being visited by the Deputy Minister in 1927.

In 1929, although provisions was made in the estimates for the creation of four commodity divisions, inability to obtain necessary accommodation in the West Block postponed this reorganization. A preliminary commodity index system was started with reports being sent to Trade Commissioners on the availability of commodities in Canada.

(43) Commercial Intelligence Service: Preclude to Expansion 1926-1928, p. 24.

(44) Ibid., p. 24.

By 1935 the C.I.S. Headquarters staff consisted of a Director, a Secretary, an Economics Division, five Commodity Divisions, an Editorial Division, and a Trade Directories Division.

Tariffs and Trade Policy - A Parting of the Ways

C.I.S. underwent considerable expansion during the 1920's and early 1930's and became active in both the trade promotion and trade policy fields.(45) Trade policy, however, was a shared responsibility with External Affairs with External being responsible for negotiation, but "if it hadn't been for Skelton (Under-Secretary of State for External Affairs) - if there had been a weaker Under-Secretary of State for External Affairs, it wouldn't have happened".(46) This would lead one to believe that Skelton was more influential than the Trade and Commerce representative, L.D. Wilgress, the Director of the Commercial Intelligence Service.

During the 1930's, international trade was curtailed seriously by nationalism, protectionism and isolationism. It was also a time when new faces appeared in Trade and Commerce management. J.G. Parmelee replaced F.C.T. O'Hara as Deputy Minister. The Department of External Affairs became the dominant body dealing with foreign affairs. The new men of Trade and Commerce were not so prone as O'Hara to assume that Trade and Commerce was a major factor in Canadian government, "they fitted snugly into their niche, and that was a considerable distance behind and below the Department of

(45) Some Factors in the Development of Canadian Commercial Policy in the Inter-War Period, p. 2.

(46) Record of a Conversation between Dr. F. Forster and Dana Wilgress, Industry, Trade and Commerce Archives, file 376.

External Affairs. ... They never demanded or firmly requested anything. ... They did not even express opinions very often or pass on complaints. ... When the new men came in ... (the struggle with External) ceased".(47) Later when Trade and Commerce did strive to grapple with problems which involved External Affairs, External assumed its dominant role and Trade and Commerce did not seriously question it.

Within the Department, C.I.S. was divesting itself of the Foreign Tariffs Division. This division had been established in 1920 as part of C.I.S. with the subject of studying the customs tariffs of other countries to investigate the requirements of other countries in regard to invoices, consular documents, certificates of origin, merchandise marks laws, import restrictions, and customs regulations which might affect exports from Canada to the markets in question.(48)

By 1924, it was recognized that 41.7% of Canada's export trade was dependent upon the tariff policy of one foreign country - the United States.(49) In any event, by 1932 the Foreign Tariff Division separated from C.I.S. and became a separate Branch. This was a parting of the ways and represents the apogee of C.I.S. influence in the Department's export trade system. This parting coincides closely with the arrival of the "new men" in Departmental and C.I.S. management.

(47) The Question of Status for Trade Commissioners 1930-1939, pp. 2, 3 & 4.

(48) Annual Report for 1920, p. 18.

(49) Annual Report, FY 1923/24, p. 20.

By 1935 the international trade climate was such that an immediate effort had to be made to reinforce Canada's commercial relations with other nations to review export trade. During the next four and half years the objective of placing Canada's trade arrangements on a favourable basis with all countries was pursued with persistence and considerable success. An agreement with the United States was concluded in less than one month after the Mackenzie King administration took office. This agreement was replaced by a more comprehensive one in 1938.

The effect of other factors should not be discounted, but the export trade increases in this period reflected in large measure the results of the vigorous attention to trade agreements for Canadian exports. The main emphasis was on trade agreements or changes in existing agreements with the United States, the United Kingdom, Australia, New Zealand, Poland, Russia, Japan, France, Belgium, Brazil, El Salvador, Uruguay, Haiti and Guatemala.

In 1940 a further parting of the ways occurred for C.I.S. when the Commercial Relations Division was created. Its objective was to deal "with matters arising in the Department relating to the negotiation of commercial agreements and to study certain wartime problems as well as general trade relations with other countries".(50) The Foreign Tariffs Division functioned as an integral part of the Commercial Relations Division. The trend which started in 1932, to create separate groups within the Department dealing with trade promotion and trade policy, was advanced further with the creation of the Commercial Relations Division.

(50) Annual Report, FY 1940/41, P.A.

A Partial Systems Approach

The first evidence of a "systematic approach" to organizing the Commercial Intelligence Service took place in 1944. A group (the Task Force of its day) was set up to study the proposition "that there must be a considerable expansion immediately, in the field and at headquarters, to take care of the increase in the work which is already on hand and which from present indications will be greatly augmented in the post-war period.(51) This group subsequently made recommendations on a new C.I.S. headquarters organization, new position classes and a greatly increased Commercial Intelligence Service.

The rationale for the expansion in the C.I.S. was based on the activities of other countries, notably the United Kingdom and the United States. Consequently "unless the Commercial Intelligence Service is expanded immediately, other countries interested in the export of primary and manufactured products will become firmly entrenched in all importing countries, to the serious detriment of Canada. ... (Moreover there was pressure from industry and commerce) "as well as from agencies of the Government, to formulate some positive program for Canada's export marketings. To do this they require more personnel".(52)

While the "task force's" recommendations showed signs of systematic thinking, the assumptions on which they rested were far from systematic or logical. First, it assumed that what were good means for other countries

(51) Memorandum on the "Reorganization of the Commercial Intelligence Service, Headquarters", August 5, 1944, file 33-T&C-CI (Dup) p. 1.

(52) Ibid., p. 1.

were good for Canada. Second, no alternatives were looked at other than the expansion of C.I.S. This was probably as a result of their terms of reference which had made the assumption that an increase in present activities was desirable in the first place. Third, it assumed that the answer to demands by industrial, commercial and governmental agencies for Trade and Commerce to formulate some positive post-war program for Canada's export marketings, was to increase the size of the C.I.S. This leads one to ask whether a larger C.I.S. was the only way a positive post-war program could be developed or whether a program should have been developed first before enlarging the staff. (see Organization Chart III)

The task force described the function of the Commercial Intelligence Service in much broader terms than ever before:

To study Canada's productive capacity, domestic requirements, the needs of importing countries, exchange and licencing conditions in other countries, and similar considerations, and out of these formulate a pattern of foreign trade.(53)

The organization to achieve this post-war objective, however, was difficult to even imagine. In any event, the task force foresaw two additional functions for C.I.S.:

- a) to undertake any negotiations involving intergovernmental foreign trade,
- b) to conduct a thorough survey of the export industries so that they
(the External Trade Advisory Committee) may have information upon which
to establish a sound export policy.

(53) Ibid., pp. 2 & 3.

Source: Reorganization of the Commercial Intelligence Service Headquarters
1944 file 33 - T & C - C. I. (Dup.)

The systems approach of the task force was to tie together within the C.I.S. such important elements of export trade promotion as:

- a) Trade policy (Economic Division),
- b) Commodity officers, or specialists of a limited commodity group, to advise the Trade Commissioner as to the availability of goods for export and to advise exporters of potential export markets,
- c) Trade Commissioners in the foreign markets,
- d) A Journal disseminating trade reports to the exporting community.

Other recommendations were to establish a C.I.S. inspector, an import division, a branch plant division, an administrative staff separate from the Departmental administration, and to bring Trade Commissioners home on a rotation of basis for periods of up to 2 years at which time "they will be required to fit into the organization in order to learn headquarters' procedure, intent and policy".(54) It is interesting how this "systematic" look at the organizational needs of C.I.S. was subsequently implemented and how its impact became diffused through divided control.

The review of C.I.S. resulted in a complete reorganization of the Department's export trade structure. C.I.S. disappeared and was replaced by the Foreign Trade Service which comprised, at the end of 1945-46, the:

- a) Trade Commissioner Service
- b) Commercial Relations Division
- c) Export Division and Exports Permits Branch

(54) Ibid., p. 3

- d) Import Division
- e) Industrial Development Division
- f) Trade Publicity Division
- g) Transportation & Communications Division (added in 1946/47). (55)

Not only had T.C.S. lost responsibility for Tariffs (in 1932), Commercial Relations (in 1940), it had now lost responsibility for Commodity work with the creation of Foreign Trade Service (F.T.S.). Conspicuous by its absence from the Foreign Trade Service was the Export Credits Insurance Corporation which began providing insurance coverage for exporters in 1945.

The Foreign Trade Service concept did not last long, however, since no mention was made of it in the 1948-49 Departmental Annual Report, except in the statement of expenditures. The cohesiveness of purpose suggested by F.T.S. appears to have already begun to wane about this time. By 1956, no reference to it was made in the Annual Report although a "Committee on Trade Promotion" existed. (see Organizational Chart IV) The original Foreign Trade Service was, for direction and control purposes, divided into 3 groups. The first, including T.C.S., reported to the Deputy Minister; the second reported to the Assistant Deputy Minister and Chairman of the Committee on Trade Promotion, while the third, including the International Trade Relations Branch (formerly the Commercial Relations Division) reported to the Associate Deputy Minister.

(55) Annual Reports, FY 1945/46 & FY. 1946/47.

DEPARTMENT OF TRADE AND COMMERCE
Chart of Organization - January, 1955.

----- Direction and Control
----- Coordination

The departmental structure during this post war period has been described by the present Deputy Minister as one which "evolved chiefly in response to demands placed upon it from outside. This process appears to have taken place without adequate coordination, analysis or planning by management ... the efforts to integrate the work of the Department, to anticipate need and to define coherent objectives and establish priorities, have been inadequate".(56)

Although Area Sections in T.C.S. Headquarters evolved out of the C.I.S. Export Planning Division in early 1945, and although a T.C.S. Assistant Director of Economic Planning and Coordination existed in 1954, the sole function of T.C.S. Headquarters by mid 1959 was the financial and personnel administration (a "pay and rations" administration) of posts overseas. The T.C.S. area sectors were amalgamated in mid 1959 with the geographical divisions of the International Trade Relations (I.T.R.) Branch. These new I.T.R. area divisions were to provide the focal point for coordination by regional markets of the Department's trade promotion and trade policy efforts but in practice programs for trade promotion had to yield place to the workload imposed by international, multi-national, bilateral and interdepartmental negotiation and day-to-day departmental service on current policy problems arising internationally or from particular business needs.(57)

(56) J.H. Warren, "A Look at the Past - Blueprint for the Future", p. 13.

(57) Ibid., p. 19.

Moreover, T.C.S. again lost the initiative when the International Relations Branch (now the Office of Area Relations) established its own Foreign Service for commercial trade policy with officers located in London, Washington and Canberra. A Trade Commissioner's function had narrowed to one almost exclusively of market promotion.

Even in the market promotion function, T.C.S. failed to take advantage of opportunities and other entities, notably the Department of Defence Production and the Provinces, entered the export promotion field.(58) In its review of the principal institutions concerned with the development of science policy in Canada, the Senate Special Committee noted that one risks being unfair in criticising institutions that were set up to contend with the problems and opportunities of the past. Nevertheless, their failure to transform themselves to meet new challenges must be pointed out to show that changes have become necessary.(59) This comment applies equally to this historical review of T.C.S., indeed, one can fall into the pragmatic fallacy trap of choosing facts to fit the cause. Every effort has been taken to avoid this trap.

This historical review from 1892 to 1965 sets the stage for a detailed discussion in the concluding chapters of the T.C.S. management process. It has described the forces behind the establishment of the Department and T.C.S., and the functional evolution of the T.C.S. Ottawa based

(58) For a description of the intrusion of Defence Production into the export marketing field and recommendations for T.C.S. action see Malcolm Rowan, "Achieving a More Effective Department of Trade and Commerce through Better Balanced Administration", Ottawa, 1967, (unpublished paper).

(59) Report of the Senate Special Committee on Science Policy, A Science Policy for Canada, Volume 1, Queen's Printer, Ottawa, 1970, p. 19.

management; the last stage of its metamorphosis, in 1965, being a "pay and rations" administration with no operational control over posts.

This chapter also has described such variables as the demands of business for Government exporting assistance, Ministerial influence, the growth in the importance of the Department of External Affairs; of Trade Policy vis-a-vis Trade Promotion; the expansion of world trade after 1945 with a corresponding growth in posts overseas; of the competition to T.C.S. both within and outside the Department; and of the lack of leadership in Departmental management and the resulting malaise. Finally, it has described the impact of personality and drive of the various managers of T.C.S., particularly from 1908 to 1932, when the personality of O'Hara held sway, and from 1932 when T.C.S., while still spawning new functional units such as the Commodity Branches was, nonetheless, well on its way to concentrating on the function which could be accommodated within a closed career system, namely, a professional foreign service. Functions which could not easily be accommodated within T.C.S., such as Commercial Relations and the Commodity Branches, were "spun off" or allowed to be assigned to others.

There is little doubt that, given the objective of a professional foreign service, the decisions made by T.C.S. management during this period were rational. One could question the desirability of this objective, however, in terms of the consequences of the compromises which were made to achieve that objective, as the next chapters will highlight.

CHAPTER III

HISTORY OF THE TRADE COMMISSIONER SERVICE AND THE DEPARTMENT OF TRADE & COMMERCE 1965 - 1970 PHASE II

During the 1960's the Departments' trade promotion initiatives were sporadic and, by and large, politically motivated. Few new export trade promotion initiatives came from the bureaucracy. The three major Departmental initiatives during this period were the First Export Trade Promotion Conference, 1960; Operation World Markets, 1962; and Operation Export, 1967. Apart from these initiatives the Department appears to have been in the doldrums waiting for some leadership 'breeze' to come along.

This chapter describes the growing awareness in the Department that "something was wrong", and the solutions proposed by the Deputy Minister. In addition, it describes T.C.S. management's reappraisal which, beginning in 1965, resulted from the combination of outside stimulus (i.e. the introduction of PPBS) and a change in T.C.S. Headquarters personnel.

Finally, this chapter describes the evolution of systems which were developed within T.C.S. Headquarters between 1965 and 1969 to cope with a growing organization in a more complex environment, and with T.C.S. management's reaction to those systems and concepts, particularly PPB, performance standards and career development.

Trade and Commerce Reorganized

In 1967 the Deputy Minister, motivated mainly by a diminution of Trade and Commerce's responsibilities resulting from the creation of such specialized agencies and departments as the Departments of Industry, and Energy, Mines and Resources, became concerned that the Departmental objectives were no longer appropriate or clear.

His premise was that the evolution of new departments was not an unnatural process; it was the result of increased governmental involvement in the economic life of the country. The Deputy related the Department's own lack of initiative in the 1950's, to the need seen by politicians to create new agencies to concentrate on emerging problems.(1)

In any event he felt that the "process of devolution (has) now reached a point beyond which it would be hazardous to go if the Department of Trade and Commerce (is) to have a reasonably coherent purpose".(2)

The Deputy Minister stated that the three chief functions of the Department were trade promotion, trade policy and tourism, but that the Departmental mandate was not entirely clear.

The new objectives enunciated by the Deputy were:

1. to promote Canada's export and trade relations;
2. to become the chief source of international, commercial and business intelligence for Canada;

(1) J.H. Warren, "A Look at the Past - Blueprint for the Future", p. 13.

(2) Ibid., p. 4.

3. to offer to Canadian business the best foreign sales development service in the world;
4. to ensure that the needs for governmental assistance of existing exporters are sufficiently serviced; and
5. to ensure that the export potential of Canada as a whole and of particular firms is not left unused as a result of any failure on the part of government to stimulate awareness of the importance of export to our national prosperity or to match up opportunities to sell profitably abroad with Canadian capacity to meet foreign demand on a competitive and efficient basis.

In addition, other Departmental responsibilities such as the accuracy of weights and measures were identified.

The Deputy Minister stated that the challenge was to replace responsive departmental activity in commercial policy and export promotion with a positive determination to influence more effectively both the world and domestic environment in which the competition between Canadian foreign production takes place.(3)

The management system, therefore, said the Deputy Minister, should be reviewed and changed to meet the demands of the new environment. As the Department's growth in the post-war period had been of a responsive nature which permitted different elements of the Departments to grow independent of

(3) Ibid., pp. 9, 10, 11, 12.

the work of other elements, (4) there was a need to integrate these elements, to anticipate future need, to define coherent objectives and to establish priorities.(5)

In reviewing the individual Departmental elements the Deputy Minister focussed on T.C.S. and stressed the need to reintegrate it with other branches of the Department. He also stated that there was a fundamental disagreement as to whether T.C.S. was a service arm of the commodity branches or whether they were the service arm of T.C.S. The Deputy Minister's opinion at that time appeared to be that the Commodity Branches had an "overriding function ... to work directly with industry in the promotion of exports".(6) While the Deputy Minister did not resolve the conflict between T.C.S. and the Commodity Branches, by taking either a production oriented or a market oriented approach to the control of the export promotional programs, he did combine the two services under a single Assistant Deputy Minister. (see Organization Chart V).

Reporting to the Assistant Deputy Minister (Trade Promotion) was the Trade Promotional Support Service, comprising the trade fairs, trade missions, and trade publicity branches. The trade fairs and trade missions branches also looked upon themselves as line rather than staff organizations. The net effect was that three services, T.C.S., the Commodities and Industries

(4) The failure of the Foreign Trade Service to function as a system has already been noted.

(5) Ibid., p. 13.

(6) Ibid., p. 17

ALL ASSISTANT DEPUTY MINISTERS AND HEADS OF OFFICES.
TO INCLUDE CEREALS DIVISION REPORTING TO ASSOCIATE DIRECTOR (CEREALS).

Service and the Trade Promotional Support Services, all vied for control of the trade promotional programs. The result was confusion.(7)

An Assistant Deputy Minister (Trade Policy Services) was appointed to be responsible for intergovernmental negotiation of access for Canadian goods in foreign markets, interdepartmental representation of the export interest in the determination of commercial and economic policy, the provision to business men of information concerning the terms of access, tariff levels, restrictions, consular formalities and documentation required in moving goods to foreign markets, and the provision of advice to government on commercial policy matters.(8)

The Deputy Minister recognized that the area divisions of the Office of Trade Relations, which were the focal points for the coordination by regional markets of the Department's trade promotional and trade policy efforts, were not adequate but, although he separated the trade policy and trade promotion functions under two different Assistant Deputy Ministers, he still maintained that the area divisions, under the ADM (Trade Policy Services), should be the point of contact of the posts with the department for trade promotion as well as trade policy matters. A Trade Commissioner was to be appointed to each of the area divisions to provide the liaison between the trade policy and trade promotional functions.

(7) The reorganization did not fundamentally change the lack of integration and coordination mainly because responsibilities and relationships were not explicitly defined and because there was no 'vehicle' to effect this coordination. PPB appears as though it will provide the means of communication necessary for integration.

(8) Op.Cit., p. 19.

The Deputy Minister also proposed to integrate T.C.S. more fully into the Department, mainly by the transfer of personnel, to provide opportunities for T.C.S. personnel to be assigned to other branches and functions in the Department while allowing lateral transfers of personnel in other branches into T.C.S. The integration of Trade and Commerce with the Department of Industry shelved this part of the plan.

The integration of the two departments in 1969 resulted in an extra level of management being inserted between the Deputy Minister and the General Director of T.C.S. which perhaps best illustrates the diminishing influence and stature of T.C.S. within the Department. (See Organization Chart VI). This is especially striking when it is remembered that the Deputy Minister himself was concurrently the Director of T.C.S. until 1911.

It is appropriate to restate the question posed earlier; does management have a responsibility to anticipate change and ensure that the organization takes on new functions or should it accept its fate and perhaps lose influence?

The T.C.S. Awakening

If the Deputy Minister's plan to reorganize the Department signalled the end of a period of lethargic management in the Department, T.C.S.' own awakening began at least a year earlier.

The size, objectives, and functions and style of T.C.S. management stayed relatively static from 1892 until 1965. Only in 1966, when the Assistant Director (Personnel) T.C.S. suggested the creation of a new position of Assistant Director (Operations) did the size of the T.C.S. Headquarters

CHART VI

DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE

July 1969

mangement grow significantly. T.C.S. (Operations), created in September, 1966, was made responsible for planning and programming and the operational aspects of posts, including the examination and study of post workloads, the opening of new posts and the development of innovative ideas.(9) Moreover, T.C.S. (Operations) was created to develop a system that would permit:

- (i) the identification and establishment of short and long-term post objectives;
- (ii) the determination of the make-up of the program of activities necessary to achieve the objectives; and
- (iii) the subsequent evaluation of results.(10)

Mention was also made of T.C.S. being a decentralized organization. This reference plus the subsequent policies recommended by T.C.S. (Operations) in the next two years would indicate that the understanding of the nature of decentralization as it applied to T.C.S. was not clear.(11)

The Area Commodity Position Paper (ACPP) was the chief means used for achieving the above objectives, but T.C.S. (Operations) was not given responsibility for operational management of posts. The Area (Trade Policy) divisions still retained general trade promotion responsibility as the central point of contact between posts and the Department in Ottawa.(12)

(9) Circular Letter to all Trade Commissioners TCS/Admin. 66-41 "Program Budgeting and the Trade Commissioner Service", July 28, 1966.

(10) Quotation from a paper sent by the Director of T.C.S. to FSO's who had not attended its Departmental Conference on April 12, 1967.

(11) See Krusinga, H.J. (ed), The Balance Between Centralization and Decentralization in Management Control, Leiden, Netherlands: Stenfort Kroese, 1954.

(12) 1966 Annual Report, Department of Trade and Commerce, p. 2.

This management anomaly was maintained for almost four years after T.C.S. (Operations) was created, with the posts reporting to the appropriate Area Desk of the Office of Trade Policy for "Operational" matters and to T.C.S. Headquarters for personnel matters and financial matters.

During its first year (Sept. 1966 to Aug. 1967), T.C.S. Operations concentrated on two areas:(13)

1. The area Commodity Position Paper (ACPP).
2. A series of "background" surveys:
 - a) Statistical Surveys of T.C.S. post activity - "T.C.S. Trends of Office Activity";
 - b) A Post ranking based on a 10 point post evaluation;
 - c) A short 4 point post evaluation;
 - d) A one year "ideal" Foreign Service Officer (F.S.O.) establishment for each post.

The ACPP was by far its most important contribution, and is evidence that T.C.S. management took the lead in the Department to understand and implement the new government-wide management system - Planning, Programming and Budgeting.

The ACPP was conceived in order to coordinate trade promotional activities at home and abroad, and to meet the program planning objectives of the Department,(14) but while T.C.S. Management knew what it wanted to

(13) During this period T.C.S. (Operations) also became heavily involved in Operations Export 1967, a Trade promotion tour of Canada by Trade Commissioners, which coincided with Expo.'67.

(14) T.C.S./Admin. 66-41, p.4.

achieve, the rest of the Department had no real understanding of its goal. However, the design of the ACPP report proved inadequate for the job. It is not surprising, therefore, that the Director should comment in April 1967, some four months after the ACPP request was sent to posts that "future plans for these papers (ACPP) are uncertain". ... (15) The ACPP does illustrate, however, T.C.S. management's awareness of the changing environment and its attempt to grapple with "the increase in the number and complexity of activities undertaken by the Department ... (which necessitate) a continuing review of the techniques employed in the decision-making process. As the variety of alternative choices of action ... (expand) with the introduction of new marketing methods, the opening of new markets and the availability of a broader range of exports, the planning system must be revised to ensure they present these alternatives in context, in a clear concise fashion". (16)

The ACPP did have some serious limitations in that:

- a) It touched on only one element of total post activity. While it attempted to get a picture of product promotional priorities in each country or market, it only got a partial picture as it did not ask for any estimate of resources to be used to achieve objectives. Indeed, so much latitude was given that many posts submitted only narrative reports which identified only general areas of interest and no specific market goals. Consequently these reports were of little use for planning purposes.

(15) Ibid., p. 4.

(16) Circular Letter to all Trade Commissioners T.C.S./Operations 67-1/Action "Area Commodity Position Paper, January 3, 1967.

- b) The ACPP reports were not comparable one post to another, since no standard format was used.
- c) Most ACPPs were not projected more than one year ahead nor were estimates of the resources to implement the program requested.
- d) the ACPPs were requested with no relevance to the Government budgeting cycle on which they depended for resources.
- e) Posts were not informed how the ACPP was to be used. (As shown early this was not known).

Although attempts were made to make the ACPP experiment work by using it as a device for eliciting interbranch cooperation in a pilot project for South America, the technique proved too cumbersome and it died a quiet death. To illustrate how cumbersome it was to use the ACPP reports, the posts were asked on January 3, 1967, to submit their ACPP reports by March 13, 1967. As of December 12, 1967, comments from the other Departmental branches had been received but not analyzed. It was hoped that a submission could be made to the Deputy Minister's advisory council by the end of January 1968. If the experiment was deemed to be successful, posts were to be asked to submit an updated version of the ACPP for use in T.C.S. 1969/70 program review submission to Treasury Board.(17)

The ACPPs never again saw the light of day, for by this time it was apparent that no one was interested. There were many willing hands in the Department assisting in its demise, but in the main it could not withstand the criticism of being unsuitable for the problem.

(17) See memoranda from Assistant Director (Operations) to General Director, OETS, "Review of Projects", December 21, 1967 and March 8, 1968.

Something clearly was needed to enable T.C.S. management to control its organization for it had a formidable array of problems confronting it, some of which it readily recognized and tackled manfully, others it chose to ignore, or worse still, did not recognize as being problems. On January 9, 1968, the Assistant Director (Operations) reviewed the activities of the past year and made tentative recommendations for the future. This memorandum concisely and accurately describes the "let's clear the underbrush" approach taken by T.C.S. (Operations) up to that time.

From September 1967 to March 1, 1968, T.C.S. (Operations) concentrated on project work. Two of these projects contained elements of a systematic approach to problem solving and a future orientation. The first involved an attempt by T.C.S. to use, on a pilot project basis, the critical path method (CPM) of planning and, by so doing, to integrate diverse elements of the Department. The example chosen was a "Hypothetical Export Promotional Project for Civilian Aircraft". Within the Department, there was polite interest expressed but the approach did not catch on.(18)

The second study on "The Role and Future Establishment of T.C.S. in 1980" was completed March 20, 1968 by an Assistant Trade Commissioner-in-Training and was an attempt to forecast the future as a basis for managerial action. This project also was allowed to die. Senior T.C.S. management appears not to have been interested in it, or if interested, not aware of the

(18) Ibid. A similar approach, i.e. a PERT/CPM Plan was used by T.C.S. in 1969, this time with the support of the ADM (Trade Promotion) with considerably more success, involving an industrial development mission to West Germany.

next steps to take. By 1968, several factors affected T.C.S. Management's ability to relate its objectives, structures and operations to its changing environment. These were:-

1. The advent of collective bargaining.
2. The potential merger of the Departments of Industry and Trade and Commerce.
3. Changes imminent in the T.C.S. career services as prophesied in the Deputy Minister's 1967 paper - "Look at the Past: Blueprint for the Future".
4. Maintaining T.C.S.' role in trade policy.
5. The Treasury Board and Departmental progress with the introduction of PPB, and the related attempt to find a conceptual framework for policy and program planning.
6. The dichotomy of not having operational control of posts but being expected to be in control, especially when things go wrong, by the rest of the department.
7. The beginning of the government's austerity program.

Not all of these factors had the same importance nor were they confined solely to T.C.S. Many were the result of the initiatives of others, some were operational, some philosophical, some systems design, but all were issues with which management at some level had to be concerned. Again, there was little or no thought given to the reason why the Department provided service to business. It was assumed that everyone knew - yet there was no commonly understood reason why these services were provided.

It is interesting to note, however, which factors interested senior T.C.S. management, which they delegated (and the support they subsequently gave to the recommendations for action) and which they ignored. Chart VII compares the contribution made by each member of T.C.S. Headquarters on these issues. The principle criteria used in making this assessment were the time spent on each issue and the reports or position papers produced.

By any measure, 1968 was perhaps the most significant year in the conceptualization of a system approach to T.C.S. management. More fundamental changes to the T.C.S. management process were introduced then than ever before but the manner in which they were introduced tended to nullify their effect. The net result, however, was an embryonic systems approach to management.

Of these 7 issues, 3 are highlighted to illustrate the systems approach developed and the attitude of senior T.C.S. management to the new system being proposed. The three issues are: - PPB, Operational Control, i.e. by means of Performance Standards, and the personnel evaluation and development aspects of a Career Service.

In Chart VII these seven factors are grouped or classified by the officers who took the initiative on them. These initiatives were often taken without the full knowledge of senior T.C.S. management. Indeed, if the latter had been aware of the nature and consequences of some of the work being done, it would probably have had serious reservations as to its need, propriety and effect on the Service.

C H A R T VII

ISSUES FACING TCS MANAGEMENT IN 1968

Action by Issue	General Director*	Director** Personnel & Finance	Director Operations & Development	Assistant Director Operations	Assistant Director Personnel	Assistant Director Finance
Collective Bargaining	Substantial (interest)	Major Partici- pation during negotiation	No Partici- pation	No partici- pation	Major contri- bution up to negotiation	Minor role related to foreign service Directives
Departmental Merger	Major Contribution	Major Contribution	Minor	NONE	Minor	Minor related to I.P. Branch of D.D.P.
Change in T.C.S. Career Service	Interest	Interest	No Partici- pation	Major Contri- bution paper on implica- tions for TCS	Minor contri- bution	NONE
TCS role in Trade Policy	NONE	NONE	Minor	NONE	NONE	NONE
PPB at:						
a) Departmental Level	Little Inter- est or under- standing	Little Inter- est or under- standing	NONE	Major contri- bution	NONE	NONE
b) TCS Level	Little Inter- est	Little Inter- est	SUBSTAN- TIAL	Major contri- bution	NONE	NONE
						71.

C H A R T VII

ISSUES FACING TCS MANAGEMENT IN 1968

Action by Issue	General * Director	Director ** Personnel & Finance	Director Operations & Development	Assistant Director Operations	Assistant Director Personnel	Assistant Director Finance
Day to Day Operations	Personnel Oriented (Major effort)	Personnel Oriented (Major effort)	Growing	Minor	Personnel Oriented (Major effort)	Finance Oriented (Major effort)
Austerity Program - financial and Manpower Planning	Minor	NONE	Minor	Major Respon- sibility	NONE	NONE

*Formerly Director

**Formerly Executive Director.

By and large, though, two groups formed within T.C.S. management - those who wanted to deal with issues on an ad hoc basis, with little or no questioning of the basic assumptions surrounding T.C.S. and how it should be managed, and those who thought in a partial systems manner. Unfortunately for the latter group, they constituted relatively junior officers. The only influence they had was the logic of their arguments although they were assisted by the pressure of outside events which forced changes on T.C.S.(19)

Senior T.C.S. management took an active interest in collective bargaining and day-to-day personnel and financial matters. The second group concentrated on developing a conceptual framework, the tools or techniques for managing the posts and the developing a philosophy for T.C.S. In many ways the roles of the two groups were reversed with senior T.C.S. management concentrating on day-to-day operational work which could have been delegated.

The "systems approach" to T.C.S. management which evolved during 1968 comprised: a rationale for T.C.S. in output terms, a statement of T.C.S. and Departmental objectives, and position papers on the role of T.C.S. in assisting Canadian exporters, T.C.S. and the marketing activity, and operational control of posts (even as late as January 1970, T.C.S. did not have dejure control of the posts' promotional programs, although by this time de facto control had been established). In addition a Manpower

(19) See Warner and Havens, "Goal Displacement", *op. cit.*, 554, for an analysis into how "those who control evaluations and sanctions, and therefore the way in which goals are displaced, frequently tend to be unwilling to devote sufficient organizational resources for developing the required knowledge and skills to work out alternative means-ends chains between the avowed goals of the organization and the programs of activity and role performance within the organization".

Control System based on a 5-year projection of T.C.S. manpower needs and a management information system was developed, along with rationale for introducing performance standards into T.C.S.

This "systems approach" resulted from the joint effort of the Director (Operations) and Assistant Director (Operations) who developed the rationale, the framework and most of the system elements from April 1, 1968 to March 31, 1969. The first problem facing the "new team" of T.C.S. (Operations) in 1968 was to determine what they were "operators" of and to develop methods of planning for the future. Using a management by objectives approach, a list of objectives to be achieved between April 1 and October 1, 1968 was drawn up with priority given to developing a conceptual framework to be used to prepare the T.C.S. program forecast submission which was the basis on which T.C.S. would receive resources for 1969/70. Traditionally the program forecast and main estimates had been prepared by T.C.S. (Finance) so here was the first evidence of T.C.S. applying a PPB principles of tying resources requested to output or results anticipated. (20) It also was the beginning of a jurisdictional dispute between T.C.S.(Finance) and T.C.S.(Operations), as not only did T.C.S. (Operations) design the PPB system to be used by T.C.S. it felt it should control and use it as a resource allocation and management tool. (20A)

The impact of austerity in 1968, especially many year cuts, forced T.C.S. (Operations) to concentrate next on a manpower allocation system but

(20) For an explanation of these principles, see Government of Canada, "Planning, Programming and Budgeting Guide, Treasury Board", Ottawa, 1969.

(20A) See Victor A. Thompson, Bureaucracy and Innovation op cit. pp.52-60, especially p.54 for a critique of such techniques as PPB and mechanistic systems thinking.

it soon became obvious that manpower allocation was related to program objectives, the career system, local labour laws and a host of other variables.

By July 9, 1968, however, a 5-year 1968/1974 Establishment Review was completed and presented to T.C.S. management. This was done without any clear idea of the program objectives for this period. The review had to be based on estimates as there was still no method for posts to advise T.C.S. management of their plans. The ACPP, the first attempt, had failed.

The establishment review was designed to illustrate trends and indicate those areas where, and when, prior action must be taken in order to achieve a specific establishment (program related) objective. Moreover, it was pointed out that:

There are two ways to build an establishment pyramid - the first is based on career development, while the second is based on requirement and need. The Office of External Trade Services(21) (OETS) establishment profile over the next five years will change significantly. This change reflects both the career development and requirement and need criteria. Our ability at this stage, however, to identify requirement and need precisely and, therefore, our ability to justify our establishment on that basis, is far from sophisticated. The resulting establishment pyramid, therefore, has strong career development overtones.(22)

(21) Office of External Trade Services came into being January 1968 and was equivalent to the T.C.S.

(22) Memo from Director (Operations and Development) T.C.S. to General Director, OETS, July 9, 1968.

Just as the preparation of the program forecast by T.C.S. (Operations) impinged on a preserve formerly reserved to T.C.S. (Finance) so the establishment review involved work which T.C.S. (Personnel) considered to be its function as it had prepared, in 1965, the only previous establishment projection (for 1 year). No serious jurisdictional problems arose, primarily because the Assistant Director (Personnel) was aware of the need to integrate the control of resources and relate them to output objectives.

Senior T.C.S. management reaction to both the program forecast and establishment review was one of passive concurrence and perhaps even satisfaction, for, while the rest of the Department was being severely restricted in its dollar and manyear resources for the coming year, T.C.S. was at least initially able to persuade Departmental management to increase its budget by 12% or by \$1.5 million. (23) By this criterion alone the rudimentary system was beginning to show results, but somehow senior T.C.S. management failed to recognize any real relationship between the new system and the budget increase. (24)

Once T.C.S. resources for 1969-70 had been established, plans were made in T.C.S.(Operations) for improving their knowledge of the output side of the PPB equation. Since the request for resources to Treasury Board for

(23) This amount was subsequently decreased in the main estimates to \$1.2 million, i.e.

1968-69	1969-70
11,083,000	12,254,000

See Canada: Estimates for the Fiscal Year Ending March 31, 1970.

(24) Naturally the value of PPBS is not that it ensures an ever increasing budget, but this criterion is valid when comparing PPBS with the traditional methods of supporting budgeting requests to Departmental Management and Treasury Board.

1970-71 in the form of the Program Forecast would have to be made by May 15, 1969, some method had to be devised to relate output objectives to resource inputs. The resulting recommendations from T.C.S. (Operations) to senior T.C.S. management marked a clear division in the approach and philosophies of management.

The basis of these recommendations was the control and integration of diverse elements and involved three major and related concepts:-

- a) A system of 3 reports related to the budgetary cycle which would replace most of the 32 reports then requested annually from posts,
- b) the creation of Regional Program Managers in T.C.S. (Operations) replacing the geographic Trade Policy desks as the point of contact for Trade Commissioners with the Department for all operational matters,
- c) the introduction of performance standards.

The recommendations were based on the fact that PPB rationalizes the information on which management makes decisions, since it effectively links program objectives, or results to be achieved, with the cost of attaining those objectives. PPB is, in effect, a management information system where all program factors relevant to decision-making are brought together. If a way could be found to coordinate post objectives and phase them into the Departmental budgetary cycle, it might be possible to develop standards of performance on which the effectiveness of officers at posts could be measured in relation to post objectives.(25)

(25) In addition to performance standards being established for each post manager, a performance index could be established for each post to determine whether it was worthwhile keeping it open.

The specific objectives identified for the new post reporting system were to rationalize the present system of post reports so as to provide a managerial overview of post activity and to provide meaningful post input to the Departmental budgetary cycle. Second, to establish a procedure by which specific post objectives could be identified so that senior officer performance standards, by post, could be developed. It was assumed that the Trade Development Program objectives and activity structure, as identified by OETS, would remain unchanged in spite of the amalgamation of Trade and Commerce, Department of Industry, Department of Defence and Production (International Programs Branch). Also, it was assumed that even if the program objectives and activity structure changed, the reporting dates would not change because of the constraints imposed by the Program Forecast and Main Estimates submission date to Treasury Board. The introduction of PPB and performance standards to posts presupposed the recognition of the Post Senior Officer as a level of management reporting to and responsible to OETS Management, specifically to the Regional Program Managers, for manpower, budgetary, and operational purposes. It is on the basis of the identification of post objectives, as they relate to the Departmental program objectives and the agreement between the two levels of management, that the effectiveness of the post manager could be evaluated. (i.e., the post manager's evaluation would be a measure of how well those objectives were attained).

Finally, since PPB is tied to the fiscal year, and since the only current report on a calendar year basis is the annual year-end report, it

was assumed that future post management reports, including the year-end report (to be called the post annual report), would relate to fiscal years and not to calendar years.

The common characteristics of the pre-PPB post reports was that, while most had an effect on some operational or budgetary decision, no one person or division in the Department had an overview of the total situation to which the report referred. Consequently, decisions were either made without full benefit of all of the available information, or the effort expended to collect information was expensive and frustrating.(26)

The increasing number of posts and personnel, and especially the increasing Departmental emphasis on market and product promotional techniques, demanded an operational overview of post activities, if post efficiency and effectiveness were requisites, even without the introduction of PPB. PPB only reinforced that need. By tying manpower and budgetary control with operational control, attention was focussed on the need to group relevant and complementary information and direct it to an appropriate management level. Attention was also focussed on the timing of the information's submission.

Pre-PPB post reports were listed and catalogued into 5 groups using the criterion that the time period being covered in the PPB cycle

(26) That is, T.C.S. management's request to posts for estimates of resources required often set deadlines which were after the information could be included in the Departmental budgetary cycle. For example, the instructions to posts requested that personnel estimates be sent to T.C.S. Headquarters after May 15th of each year. This was the deadline date, however, that the Departmental Program Forecast had to be submitted to Treasury Board.

determined the kind of information required. Three of the five groups formed the basic information for the three new post management reports. Modifications were made in the report formats to improve and simplify the presentation where possible. The fourth group illustrated the reports which did not fit logically into any of the three time periods being covered while the fifth group listed reports which no longer appeared necessary.

The proposed reporting system was designed to produce comparable post reports facilitating quantification of costs by activity, project and industry sector, and quantification of post effectiveness so that rational choices could be made between alternatives.(27) It also was structured to present information as much as possible in tabular form, to provide an overview of a post's operation to OETS management, to the present post manager and to his successor. It was not an easier reporting system, but it was more rational and would, in its consolidated form, save time both at the post and at OETS headquarters as compared with the haphazard manner in which the information was then being presented.

A simple CHART illustrated the flow of information from posts to OETS Management under the new system for the correlation and presentation of pertinent data into the Departmental budgetary cycle. (See Appendix B).

The principal feature of the post program forecast report (the first of the three new reports) was its multi-year identification of post

(27) T.C.S. Operations Post Reporting System, October 18, 1968.

objectives for the period beginning NY+1.(28) The Post Annual Plan (the second report) was to be a more detailed one-year projection of the post objectives for NY (NY+1 in Post Program Forecast Report) as described in the post Program Forecast Report. Modification, either upward or downward, in the Post Annual Plan from the budget level proposed in the Post Program Forecast Report would depend on the outcome of Departmental Program Forecast meetings and the reaction of Treasury Board to the Department's proposed program budget level.

In any event, the Post Annual Plan, to be submitted each August, was to be the statement of the post objectives and the basis on which post senior officer's performance standards could be established.

Reports 1 and 2 were to form the medium through which post objectives were expressed and ratified, or modified, upon mutual agreement with OETS Management. Report 3, the Post Annual Report, on the other hand, was to be one of the principal means by which the Regional Program Manager measured how well the objectives were being achieved.

Each post senior officer was to be evaluated, for the most part, on the performance standards which arose from his post objectives and budget level. On October 18, 1968 the post reporting system and standards of performance recommendations were presented to senior T.C.S. management as the next stage in the development of effective management tools for OETS.

(28) NY = New fiscal year, NY + 1 = New fiscal year + 1 additional fiscal year.

The proposed standards of performance related to the post manager or senior officer and, in effect, would measure his performance only, not his subordinate staff. It was hoped to make the appraisal of the post manager more objective. Similarly, the appraisal of junior officers reporting to the post manager could become more objective in that the post manager could, likewise, evaluate the performance of the junior officers by requesting objectives to be attained and setting appropriate performance standards.

It was recommended that Regional Program Managers be made primarily responsible for setting specific performance standards with the senior officers within their jurisdiction and for initiating with the senior officer the use of performance standards with junior officers and support staff at posts.

To meet the deadline of May 15, 1969 for the 1970/71 Program Forecast, the post reporting system had to be introduced in the fall of 1968 in order to obtain an input from posts. It was recommended that the concept of performance standards be introduced at the same time. However, since objectives are requisites of performance standards, they could not be fully implemented until 1970-71.

Five ways, or combinations of ways, were suggested for introducing the program budgeting system to posts:

1. To do nothing, that is, to carry on with the present method of preparing the OETS Program Review and Main Estimates submissions without meaningful post input:

2. To continue the present series of "lectures" to returning Trade Commissioners (this lecture series had been initiated in May 1968 to expose Trade Commissioners to the principles of PPB and the changing Departmental environment);
3. To prepare a Program Forecast and Reporting Manual for each post;
4. To introduce the concept of program budgeting (PPB) and allied subjects at regional conferences (a variation of the lecture series);
5. To visit each post on a personal basis, perhaps in conjunction with an operational audit.

The method preferred by T.C.S. (Operations) was to visit each post and prepare a PPB reporting manual. At best, however, the visit program could have been accomplished within a three-month period on a crash basis or, at worst, over a year's time. If undertaken in conjunction with the inspection program, one could expect to spend two to three years introducing the system.

There was, however, only about a two month period, until December 1968, available for the introduction of the program forecast portion of the reporting system if T.C.S. was going to have a meaningful budget for 1970-71. Should T.C.S. not be successful in introducing the system by 1970, it would mean a year's delay, until April 1, 1971, before the implementation of PPB would begin to take effect.

It was strongly recommended that consideration be given to introducing the reporting system to posts on a personal basis, beginning in the

United States and Europe, and working from there to the less active posts, where the dollar cost of their recommendations were not as great. In any event, it was proposed that a manual illustrating the total system be sent to each post as a first step. Since the merger with the Department of Industry and with the International Programs Branch (IPB) of the Department of Defence Production was by then assured it was also recommended that a single post program forecast report should be submitted regardless whether "defence" or "commercial" products were involved. This meant the former IPB Field Liaison Offices would submit their resource requirements through the T.C.S. post located in the same territory. This was a requisite if a realistic program review was to be prepared for 1970-71. Any other method of arriving at a budget for the Department's posts without evaluating the relative merits of defence and commercial promotions against the same predetermined criteria would undermine a basic tenet of PPB which requires that all alternative methods of achieving an objective be evaluated in order to establish a priority ranking. Only in this way could limited resources be allocated properly.

A separate but complementary reporting system was being prepared for use by OETS Headquarters. It was designed to rationalize Headquarter's methods of planning and programming.

It was emphasized that the proposed system was the beginning, not the end, of the attempt to define objectives more precisely and the attempt to become more effective. While the end to this process was not in sight,

the system suggested was felt to be a step in the right direction.(29) Finally, it was recommended that the reporting system be introduced as a package and a draft circular letter was submitted for approval.

The "Systems" package(30) to be sent to posts was integral to the PPB information sent to posts in 1966.(31) The intent was to project the image that this was the latest stage in an evolutionary process.

While one objective was to present the Departmental Program Forecast for 1970-71 in PPB terms to Treasury Board by May 15, 1969, the system being proposed went far beyond in that it recognized that, to date, no post input had gone into the Departmental Program Forecast. To correct this situation, the new post reporting system would reduce the number of reports now sent by posts to the Department and rationalize the timing of their submission. This was perhaps the most significant feature of the PPB oriented reporting system being introduced.

The introduction of PPB implied change, and change involved uncertainty which could result in resistance by those who felt they would be adversely affected. With this in mind, the "systems package" was designed to lower the resistance to change by defining the parameters of PPB and the benefits to posts. The manual set out the main elements of PPB and the major implications for T.C.S., keeping in mind ten principles of change

(29) Memorandum from Director (Operations & Development) to General Director (OETS) October 18, 1968, "Post Reporting System and Standards of Performance".

(30) Draft Circular Letter to All Trade Commissioners, "Post Reporting and Planning Programming and Budgeting", October 18, 1968.

(31) T.C.S. Admin. 66-41, July 28, 1966.

which were included as an integral part of the manual.(32)

The Treasury Board PPB Guide was to be included with the manual in order to provide the general background information of a new governmental resource allocation system of which the Departmental PPB System was a part.

The concept of cost-benefit analysis was also to be introduced to posts, advising them that considerable attention was being paid to it by Treasury Board and the Department. It was appreciated, however, that precise cost-benefit analysis was extremely difficult at this stage of PPB and that it would be some time before benefits, particularly, could be precisely identified. The reporting system, however, was designed to provide a framework with which posts could logically evaluate alternatives and thus arrive at a "best" decision based on fact and logic. The more precisely posts identified their post objectives, costs, benefits, and the probability of achieving objectives, the better their decisions or recommendations were likely to be, and the easier it would be for the Department to choose amongst competing alternative recommendations.

Surprisingly Trade Commissioners in charge of posts, i.e. Heads of posts, had never been called managers. Somehow their management function had never been formally recognized. Post management was never really considered an integral part of being a Trade Commissioner, certainly no prior, formal management training was given. It was recommended, therefore, that Heads of Post be recognized as managers. This was in effect a recognition that PPB allowed more decentralized management. The intent was to identify

(32) Ralph M. Bease, "Company Planning Must be Planned", Dunn's Review, April 1957.

centers of responsibility so that each organizational unit could be held accountable for its actions. By implication, therefore, the appropriate authority and control had to be assigned to the responsibility center. Since each post was designated a responsibility center, then each post senior office or head of post was manager of that responsibility center.

As PPB was progressively being implemented, more and more resources and control were to be delegated to posts to achieve program objectives for which they were held responsible.

Posts were asked to avoid moulding their planned activities around their present staff or personnel resources as this was considered too inflexible. Every effort was to be made to identify the personnel resources and skills, which were actually required to implement objectives. In other words, budget levels (both financial and man years) were to be set after objectives and the appropriate alternatives had been identified.

The planning environment being proposed was to be described to posts in terms of a hierarchy of objectives in which the post manager established post objectives which were complementary to and help in the achievement of the Department's program objectives. The Department's program objectives, in turn, were complementary to and assisted in achieving the Cabinet's objectives. The Cabinet being, of course, responsible through Parliament to the people.

Coincidental with the introduction of PPB was to be the establishment of Regional Program Managers within the Office of External Trade Services.

The recommended functions of the Regional Program Manager were to be included in the reporting manual. As far as PPB was concerned, the program manager was to be the point of contact for the post with the Department.

The circular letter introducing the new post reporting system was also to introduce a new philosophy in the Trade Commissioner Service - a philosophy of planned innovation.

The implementation of this philosophy would require all officers not only to do old things better, but will require them to learn to do new things. In other words, future emphasis would be on both greater efficiency and effectiveness, requiring managerial ability at all levels.

Although T.C.S. was entering a new era, or recognizing the complexity of the present one with its many inter-relationships and conflicting demands, it was recognized that a key to the future success of T.C.S. was the calibre of its personnel - both officer and support staff. One of T.C.S. Management's primary objectives then was to encourage participation in the establishing of operational objectives by posts within the policy guidelines and objectives established by the Cabinet, the Department and T.C.S. Management.

A Departmental market-oriented emphasis which gave posts primary responsibility for identifying alternative promotions to be pursued in their respective markets, within the capability and capacity constraints of Canadian

industry was essential if not yet achieved. This responsibility, however, would call for greater imagination and effort, and would most likely mean re-appraisals by post managers as to the appropriateness of their organization and of the methods presently used to "manage" post activity. It was to be an exciting challenge.

Posts were also to be advised that the concept of standards of performance was to be introduced into T.C.S., however, they could only be fully introduced by 1970-71, since standards could be set for each post manager only after his objectives had been identified. Specific post objectives would not be identified and approved with a budget until April 1, 1970. In any event, by introducing the concept and relating objectives to performance, it was hoped that Trade Commissioners would be prepared for changes in the performance appraisal system which it was felt, by some, to be sorely needed.(33)

With the new post reporting system was to be introduced the concept of a hierarchy of management levels. Henceforth, all operational reports and communications between the posts and Ottawa of a program nature were to be directed to the appropriate Regional Program Manager. Specific personnel and financial matters were to be directed to the appropriate

(33) Others, both in T.C.S. Management and in other parts of government, including the Public Service Commission, felt the T.C.S. system was one of the best and fairest in the Federal Government.

section in T.C.S. (Personnel) or T.C.S. (Finance). In future, no correspondence of an operational, financial or personnel nature was to be directed to the General Director, OETS. Operational correspondence regarding trade relations would continue to be directed to the appropriate O.T.R. division with a copy to the appropriate Regional Program Manager.

The three sample reports to be sent to posts were not intended to be restrictive and posts could give additional supporting information if they wished. Each post manager, where applicable, was to coordinate his Trade Development Program Forecast Report with his Head of Mission to ensure that there were no conflicts in his program recommendations with the objectives of other Canadian programs planned for his particular territory.(34) Conflicts in various Departmental program objectives which could not be resolved at the post were to be noted in the report for resolution between T.C.S. Headquarters and the other departments concerned.

Until 1968 no formal attempt had ever been made to integrate post activities with those of other branches, with the possible exception of Trade Fairs and Trade Missions, but even here there were real problems. It was left to the initiative of the Trade Commissioner or Commodity Officer(35) to coordinate their efforts; more often than not their activities were not coordinated. In order to overcome this, posts were to be advised

(34) The concept that the Ambassador should act as a "country manager" has now been formally recognized by Departments with Foreign Service personnel. See Department of External Affairs Memorandum "Integration of the Government's External Operations", June 24, 1970.

(35) Ottawa based officer of the Department of Trade and Commerce specializing in a group of products, e.g. footwear.

a serious error as senior management had not as yet had time to review it. As it also turned out sides were being drawn with a status quo group taking a firm stand (not as yet openly stated) against a "systems" approach to management. Pressing for change and equally determined was a "systems" group.

As mentioned earlier, an early decision was required if the posts were to receive the new reporting system and begin preparing their Program Forecasts, but indecision and resistance to change delayed the decision. The 1969-70 program forecast and the 1968-74 Establishment Review had elements of forward planning that they were basically designed to solve a particular need, namely to get resources for the coming fiscal year and to stave off manyear cuts in the present fiscal year; as such they were acceptable to T.C.S. management. The concepts involved in the 1969-70 Program Forecast were evidently overlooked. The new reporting system on which the 1970-71 program forecast would be based, however, involved fundamental change and required a broader view of the role of T.C.S. totally different than was currently in vogue. These changes were not to be overlooked by senior T.C.S. management.

It should be remembered that this was the time when the Departmental merger was taking place and confusion reigned through the Department. It is hard to see though, how this period of uncertainty could be responsible for the delay in the decision to improve the T.C.S. management information system. On the contrary, a better information system tends to reduce

that they would receive an indication from T.C.S. as to the Canadian products or industry sectors the posts should consider when preparing their program recommendations. Similarly, posts would receive an indication of the number of "economic reports" etc., which would be required by branches so that the appropriate resource requirements could be estimated. Every effort would be made to ensure that such Departmental input was forthcoming each year. Since this was to be the first year for this kind of planning, posts might have to rely on their own knowledge of available Canadian capacity and capability when preparing their post's program in order to fill in any blanks as a result of insufficient detail from other branches.

The new post reporting system, completed on October 18th, 1968, coincided with a T.C.S. Management Conference which ran from Friday evening, October 18th, to Sunday noon, October 20th, at Notre Dame de la Salette, Quebec. This was the second such meeting(36) - the first being held May 12 and 13, 1967 at the Westbury Hotel, Toronto. (See Appendix C for the agendas of both meetings). Although the Notre Dame de la Salette meeting was a modified "T" Group session during which a 'consensus' was reached on a number of items, no action was subsequently taken by senior T.C.S. management. It was a business as usual atmosphere on Monday morning.

At that conference, reference was made to the just completed post reporting system. From a tactical point of view mention of that report was

(36) Of course, there were many meetings between T.C.S. Management personnel, including a regular Wednesday afternoon "Round up", but the Toronto and Notre Dame de la Salette meetings were of a different sort.

uncertainty. Some of the recommendations made by T.C.S. (Operations) did, however, involve interbranch discussion and recommendations to senior Departmental management, for example, the recommendation to transfer the Departmental point of contact with posts from the geographical Office of Area Relations (OAR) desks to T.C.S. The intent was to transfer what was primarily a post office function since to that date there was no post program management by any group in the Department, including T.C.S. Senior T.C.S. management also did not have in mind program management functions for the T.C.S. Regional Coordinators (37) as they were to become known.

No decision was made by T.C.S. Management on the new reporting system until December 23, 1968, and probably would not have made a decision at all except for the rapidly advancing deadline for the 1970-71 program forecast, and the appointment of a new Assistant Deputy Minister (Trade Promotion).

By far the most important factor was the new Assistant Deputy Minister (ADM) who was output or results oriented, whereas senior T.C.S. management was still primarily input oriented (personnel and finances). A briefing for the new ADM, provided T.C.S. (Operations) with an opportunity to outline its proposed reporting and management system. (38) As a result of that briefing it was possible to show the ADM that although T.C.S.

(37) T.C.S. (Operations) recommended wider responsibilities for these positions and suggested the term Regional Program Managers, however, they became known as Regional Program Coordinators which perhaps, more than anything, illustrates the dilution of the proposed system.

(38) Held Friday, November 29, 1969. See Victor Thompson, Bureaucracy and Innovation, op cit. p. 15-20 for a description of a monocratic organization and how ideas, once vetoed, can be revived by crisis conditions.

Management had only a vague idea what posts were doing, it did have a system ready, if it chose to use it, to collect the information required to manage the posts.

Neither of the two factors changed senior T.C.S. management overnight as it still delayed its decision until late December and then decided to issue only one report, the Program Forecast, with an indication that further consideration was necessary on the other two. Four problems arose from this approach. First, the time available for posts to do a first class job on the post program forecast was not sufficient. Second, because they were only being given a portion of the total picture, posts did not have any idea what direction T.C.S. was headed and tended to regard the program forecast as another ACPD exercise. Third, no decision was taken with regard to the Regional Program Managers and in theory the program forecast should have been sent to the Area Desks of OAR. Finally, all reference to performance standards was deleted.(39)

The approach indicated a lack of understanding, or the importance of, a systematic approach to managing a complex organization. It was felt that you can tinker with one element without taking into account the effect in another area. Moreover, because activities needed to promote organizational equilibrium, survival, and growth tend to be more tangible and more easily comprehended than the activities necessary for the accomplishment of the

(39) T.C.S. management subsequently instituted each of the new reports described earlier but not without agonizing delays and misgivings. It was, however, caught between the inadequacy of the previous system and its dislike for change. Its environment had changed, however, to such an extent that it was forced to go to the new system.

ultimate goals professed by the organization, it required greater effort and risk taking by T.C.S. management to embrace the goal oriented approach suggested. This effort and risk taking, it was not prepared to take.

There is no easy explanation why T.C.S. management was not prepared to take this risk, although some possible reasons can be suggested. First, the lack of organizational goals resulted in goal displacement where the continuance of the Trade Commissioner "life style" became an end rather than a means. This "life style" included its closed career system, or "in group" atmosphere, and the perquisites won by Trade Commissioners over the years.

The lack of clearly identified goals and a tendency to rely on incremental decision-making to the exclusion of decision-making as part of the process of planning provided T.C.S. with no purpose and its management with little information with which it could minimize risk. Finally, T.C.S. had neither developed, trained nor chosen a cadre of professional managers. Consequently, it was dependent on people untrained in the handling of risk and uncertainty. The tendency, therefore, was to make no decisions in areas which could affect the status quo.

This chapter has discussed the growing awareness in the Department of Trade and Commerce in the mid 1960's that its "World" and influence were rapidly narrowing. A review by the Deputy Minister highlighted some of the problem areas. They centred primarily on the lack of managerial initiative (calibre?) as the key reason why politicians set up new

departments in "competition" with Trade and Commerce. Moreover, the Deputy Minister saw the need not only to improve the management in his own department but called for the re-integration of T.C.S. into the Department. To achieve this he reorganized the reporting relationships and attempted to break down the T.C.S. closed career system by lateral transfers and the posting of Trade Commissioners to other Departmental branches.

Similarly, external forces stimulated the Trade Commissioner Service to reorganize cautiously for better planning and control purposes. However, the implications of the new system proposed were by and large an anathema to T.C.S. management which was reluctant to make a break with the old ways. The availability of new techniques such as P.P.B., performance standards and sophisticated management information systems, while they should have equipped T.C.S. management to cope effectively with these external forces, were not utilized.

If it is rational for managers to make decisions which protect the organization's survival, it would seem reasonable for T.C.S. management to have changed direction radically at this point in its history in the face of the Deputy Minister's comments and the introduction of P.P.B. by Treasury Board. The fact that it resisted attempts to clarify objectives and introduce performance measures can only be considered "rational" behaviour in terms of its concept of which organizational objectives should survive -- namely the closed career system and the mystique of a professional foreign service.

Throughout this period it is possible to give T.C.S. management the benefit of the doubt that it had little hope of materially changing

its position of influence in the Department relative to other branches because of variables outside of its control, including the Deputy Minister's interest and involvement in trade policy, nevertheless it is not possible to be as charitable with regard to T.C.S. management's approach to its own internal structure and processes.

Finally, this chapter has described the role conflict which developed in T.C.S. as a result of the bureaucratic hierarchical decision-making system. This lack of alternative avenues for new ideas to bubble up to the top and be considered is a cause of frustration and is likely to result in role conflict or be an effective barrier to innovation. (40)

(40) Victor A. Thompson, Bureaucracy and Innovation, op.cit. p. 20.

CHAPTER IV

PERFORMANCE STANDARDS

A corollary to the management information system described in the previous chapter was a proposed system of management control and the basis for more objective evaluation of personnel.

This chapter describes the basic elements of that system and T.C.S. management's reaction to it. It also reviews the present personnel evaluation system and indicates that the essence of managerial control is the integration of organizational and personnel objectives. The process through which this integration is achieved is the control system.

No element of the T.C.S. (Operations) "systems" package was questioned more severely or rejected more forcefully than performance standards. Yet their proponents looked on them as the means by which a whole host of personnel management problems could be tackled more objectively and effectively.

Since some opposition to performance standards was anticipated from senior T.C.S. management, an attempt was made to define the relationship between objectives and performance standards and to place them in perspective with PPB and management's information needs. Performance standards are not common in the Federal Public Service, nor for that matter are they common in public administration generally. As a result, the rationale developed leaned heavily on American Management Association publications and other more general texts in the business management field.

The rationale stated that PPB is a managerial response to the growing complexity of government activity. Not only is there a pressing need to identify objectives and related costs of implementation, there is an equally pressing need for management to assign responsibility for results, to delegate commensurate authority and to control the organization so as to optimize the achievement of objectives.

The proposed post reporting system combined most of the elements necessary to identify objectives, estimate the costs of implementation, evaluate alternative courses of action, assign responsibility for results and evaluate actual results against plans (i.e. measure performance against pre-determined standards).

Throughout this rationale no distinction was made between objectives and goals. This distinction was recognized as being important, however, when performance is being measured, since measurement is relatively simple for objectives which can be equalled or surpassed because quantitative tests can be used. Successful or effective performance becomes largely a matter of doing specific things which management has set for itself.(1) Quantification, it was felt, was possible with most post objectives. Greater sophistication would be required to measure objectives which describe higher level goals: such objectives are primarily ways of being or behaving, e.g., integrity. Although also capable of quantitative measurement, they are primarily qualitative.(2)

(1) William Travers Jerome III, Executive Control - The Catalyst, (John Wiley & Sons, New York, London, 1961), p. 63.

(2) Ibid.

Specifically, the rationale stated that functional job objectives and standards of performance are techniques for ensuring the effective integration of an organization for direction and control according to overall objectives, their planned use is the core of the management process.

A job objective referred to a desired improvement in results; a target for accomplishment within a specified time. A job objective should be specific, realistic, feasible, results oriented and closely related to budgets. Objectives were stated as "key result" or "breakthrough" opportunities set for each job and usually supported by a work plan describing specific things to be done to meet the objective.

Job objectives should take logical and administrative precedence of budgets, organization plans, and management information systems. Job objectives should stimulate managers to plan ahead, facilitate breakthroughs in performance, and encourage self-direction and control. A job objective must be set before a standard of performance could be established. Indeed, in many instances, the attainment of the objective becomes the standard. Furthermore, it was felt that:

- a limited number of challenging job objectives provide a sounder basis for organizing and controlling work than an exhaustive cataloging of standards of performance;
- a substantial part of the value of job objectives or standards of performance comes from heightened motivation;
- selection, development, and compensation of employees is more soundly based when people are held accountable for performance against job objectives;
- managers can be selected, developed and compensated more soundly when they are held accountable for performance against job objectives than by any other known approach;

- defining job objectives improves the communication of job-related information among managers at different levels and in different functions.(3)

Minimization of frustration, anxiety, and role conflict resulting from ambiguous and contradictory objectives can be achieved through precise job objectives and performance standards.(4)

The proposed post reporting system provided a framework within which a post manager could define his job objectives. That framework was the overall trade development program objectives and activity structure. Because of the long lead time associated with governmental budgetary cycles, a post manager would have a least two opportunities to peer into the future and define his post job objectives. The first opportunity was Report #1, or the Post Program Forecast Report, while the second opportunity was Report #2, or the Post Annual Plan. Since Report #2 was to be submitted some months prior to the fiscal year in which it will be implemented, it would likely require updating. Report #1 established a desired post budget level which may be modified either at the Departmental level or by Treasury Board. If the budget level was modified, post job objectives would most likely need modifying. Report #2 specifically defined the most objectives within a pre-determined budget level.

Standards of performance, then, would describe conditions that would be present when the job is well done. In addition to asking the question,

(3) American Management Association, Objectives and Standards - An Approach to Planning and Control, Research Study #74, pp. 9 & 10.

(4) Warner and Havens, "Goal Displacement", op. cit., p. 544.

"How well are we doing?", performance criteria would raise the question, "How can we do better?" Since standards cover the major responsibilities of a job and they, too, are specific, realistic, feasible and control-oriented. Although standards are related to the success of the program and therefore to its budget, a close relationship is not always present.

It was felt that objectives are performance standards for the job aspects for which they are set. Standards set ranges for acceptable performance and may be either quantitative or qualitative. They are determined either by use of historical data relating to job responsibilities or by an analysis of jobs to determine what conditions must be produced by individuals in jobs on a continuing basis. An example of the difference as related to T.C.S. would be the use of historical data to determine the job objectives or workload resulting from the inquiries initiated by Canadian exporters. A measure of acceptable performance might be the quality of service given measured in terms of the number of complaints against the post and/or the number of letters of commendation. On the other hand, projects initiated by posts or by the Department would involve the analysis of the specific job objectives to be achieved. The performance measure would be how well the objectives were achieved according to the criteria used in the Post Annual Report.

Furthermore, "the process of setting job objectives and performance standards usually involves the participation of the manager and his supervisor (i.e. in this context the appropriate Regional Program Manager, OETS).

More or less simultaneously, broad direction (would) flow downward from the next higher level of management and suggestions (would) flow upward; when they have agreed, the objectives and standards are set".(5)

The post manager performance standards as related to his job objectives, measured in part by Report #3, would form the basis of an embryonic objective appraisal system. Much additional work, it was stated, needed to be and would be done in this area to improve the utility of the measurement process as an aid to decision-making.

Since the word control, unfortunately, has a restrictive connotation and, indeed, could have a host of meanings depending on the context in which it is used, great care was taken to define it. Control represented those forces that make it possible for any organized activity to function purposefully. Control was then classified according to the use to which a given control is put:(6)

1. Controls used to standardize performance in order to increase efficiency and to lower costs. Included might be time and motion studies, inspections, written procedures, or production schedules:
2. Controls used to safeguard company assets from theft, wastage or misuse. Such controls typically would emphasize division of responsibilities, separation of operational, custodial, and accounting activities, and an adequate system of authorization and record keeping;

(5) American Management Association, Objectives & Standards of Performance in Marketing Management, Research Study #85, p. 15.

(6) Jerome, Executive Control, pp. 32 & 33.

3. Controls used to standardize quality in order to meet the specifications of such as blueprints, inspection, and statistical quality controls;
4. Controls designed to set limits within which delegated authority can be exercised without further top management approval such as organization and procedure manuals, policy directives and internal audits;
5. Controls used to measure on-the-job performance such as special reports, output per hour or per employee, internal audits, and perhaps budgets or standard costs;
6. Controls used for planning and programming operations. Such controls would include sales and production forecasts, budgets, various cost standards, and standards of work measurement;
7. Controls necessary to allow top management to keep the firm's various plans and programs in balance. Typical controls would be a master budget, policy manuals, organization manuals, and such organization techniques as committees and the use of outside consultants;
8. Controls designed to motivate individuals within a firm to contribute their best efforts, and would involve ways of recognizing achievement through such things as promotions, awards for suggestions, or some form of profit sharing.

Controls in groups 1 and 3 are used to standardize performance, to safeguard assets, and to insure quality. These controls, or rather the standards of performance stipulated, are really in the nature of directives or procedures that must be followed. Compliance with these is not left to the discretion of anyone using them. Instead, the effectiveness of performance will be judged primarily by the degree of compliance attained. Such

controls and standards have been a familiar feature of the T.C.S. and governmental management system for years.

Controls in groups 4 through 8, however, are intended to provide some flexibility to those affected by them and are useful in helping to set the goals, to plan work, to appraise performance, and to set the tone of the organization's activity. It was in this area that performance standards were being advocated for T.C.S. There would appear to be much merit in instituting such a system, especially within the context of PPB.

PPB provides a framework for management control; it, along with such management techniques as organization and procedure manuals, operational audits, etc., can be used to set limits for delegated authority, set norms or standards against which performance can be measured, facilitate Departmental planning, keep a balanced Departmental effort so that governmental objectives can be optimized, and motivate individuals. The value of performance standards or controls lies not in identifying "mistakes" made or deficiency in individuals, but in identifying variances of actual from planned performance.

When it became obvious that senior T.C.S. Management was unwilling to accept performance standards for post managers, T.C.S. (Operations), on the mistaken assumption that the resistance could be overcome by a more comprehensive paper, prepared an expanded version of their rationale.(7) The basis of this new paper was to discuss the possible reasons why management

(7) The General Director stated that while he recognized their value, they would not be introduced while he was in charge.

and employees react adversely to the introduction of performance standards. Such reaction being perhaps indicative of how little both knew of their potential use for achieving organizational effectiveness and personal satisfaction. It was a frank statement, perhaps too frank to be accepted and acted upon. Under the guise of discussing performance standards most of the unsystematic management methods current in T.C.S. at the time were highlighted.

The basic assumption behind the paper was that managers can have such a tight restrictive control over their organizations in the sense of centralized authority, that they do not feel the need to clearly define the organization's objectives, either to themselves or to their subordinates. If primary organizational objectives are not clearly defined, then there are no valid benchmarks from which to set subsidiary performance standards. Hence, a meaningful performance appraisal system is not possible and the loss to the organization in terms of opportunity costs, resulting from lack of motivation, is the measure of the lack of managerial control.

A different set of standards must be worked out for each individual in order to take into account the variables which affect an individual's job, as opposed to a different set of variables which may apply to another employee.

In summary, the second rationale paper attempted:(8)

(8) Malcolm Rowan, "Performance Standards", Ottawa, December 1968 (An unpublished paper).

- a) to show that there are various kinds and uses for standards of performance, but specifically to show that they are a key element of managerial control which becomes more essential the larger the organization grows and decentralizes authority,
- b) to show that senior management alone can set the right climate and framework within which effective performance standards can be established. This framework is dependent upon the organization's ultimate objectives and its "key result areas",
- c) to show that performance standards for use in performance appraisal is but a by-product of their control function, albeit an important one.(9) Satisfied, motivated people is not an end in itself, and is only useful in the relationship to which motivated people further organization objectives. As a method of control, performance standards are not only necessary for identifying what is a job well done, but for providing a method for redefining objectives so that one can do a better job in the future,
- d) to show how the introduction of PPB into the Canadian Government, and especially into the Trade Commissioner Service, provided a vehicle by which clear-cut performance standards at all levels could be identified, since PPB forces the identification of objectives and makes it possible to assign responsibility and accountability,
- e) to impress on senior T.C.S. management that the resistance to the introduction of performance standards was an inhibiting factor which,

(9) That is, performance appraisal for the object of promotion, rewards, etc.

perhaps, can only be overcome when T.C.S. grappled with the problem of its own objectives and realized that it soon will be measured on its effectiveness by both the Departmental management and Treasury Board,

- f) to show that the myriad offshoots which result from performance standards, such as performance appraisal, satisfaction of employees, informed employees, a better understanding of the relationship of effectiveness and efficiency, are at the heart of effective management,
- g) to show that since management is not an end, but a way of achieving results, performance standards can help managers determine how well these results are being achieved,
- h) to claim that a significant increase in T.C.S. effectiveness could be achieved by their use in conjunction with other management techniques now available.

The importance of objective performance standards in an organization like T.C.S. cannot be stressed too strongly. Not only do they constitute a method of control, especially internal control, but they can provide measurement criteria for use in performance reviews and appraisals and as such provide a means for selecting future managers - the lifeblood of an organization.

T.C.S. management reacted to the performance standards rationale paper with silence and proceeded to eliminate all reference to them from the new reporting system. It was not until almost a year later that any

further reference to the paper was made and this came in the form of a personal letter from the General Director to the Assistant Director (Operations), both of whom had, by this time, been seconded to other Government departments. The letter stated in part, " ... your comments are also valid, even if critical. I have been out of touch with T.C.S. management for several months but assume that the fiscal and manpower constraints are playing hell with: a) PPB, and b) the objectives (if ever formulated) of senior management. To the point where the introduction of performance standards become even more difficult. However, I am sure that eventually right will prevail."(10)

Rather than being hindered by fiscal and manpower constraints, performance standards, PPB and objectives are a means of coping with such constraints. For some reason senior T.C.S. management could not get used to the idea that the system being recommended, of which PPB was the central element, was an attitude mind, a way of management, a philosophy of management and a control of events and resources. It preferred, however, to look upon the new techniques, systems, etc. as something extra to do when one had the time and when the problems of the moment were all solved.

T.C.S. management's reactions to performance standards are even more strange when it is realized that they were going against a stated goal.

(10) A personal letter from the former General Director (T.C.S.) to the former Assistant Director (Operations) T.C.S., October 9, 1969.

albeit a cautiously stated one, of the Deputy Minister who said in 1967:

Increased management responsibilities for the Department imply the need for stronger back-up administration and for tighter programming, tighter coordination between the functions to be performed by the Department as reorganized, and the financial and administrative objectives and the provision of its services.

This process will require time and an enhanced appreciation by line officers of the importance of their administrative functions, if maximum result is to be attained from available resources. ... The setting of performance standards to comply with anticipated Treasury Board requirements will need careful analysis to ensure that measurement techniques are fair and equitable and that necessary adaptations are made to allow for management judgement in areas of work not susceptible of quantitative comparison. (11)

By June 1970, however, T.C.S. management were cautiously accepting performance standards, at least in word if not deed, although stoutly maintaining that performance standards are not the only measure; T.C.S. is, however, unable or unwilling to suggest what these other measures are. The approach being taken to their use is "pragmatic" rather than "academic" (12) which evidently means that no further work has been done to identify appropriate standards. Since none are available for examination, it is therefore difficult to assess their relevance and the basis on which the pragmatic standards were chosen. Moreover, if "the ability to measure is the ultimate test of precision in defining organizational goals", (13) T.C.S. still has no way of determining whether it is even going in the right direction.

(11) J.H. Warren, "A Look at the Past: A Blueprint for the Future", Ottawa 1967 (an unpublished paper), p. 25. (Emphasis added).

(12) Conversation with the Director (Operations & Development), T.C.S., June 10, 1970.

(13) Stanley Young, Management: A Systems Analysis, op. cit., p. 107.

If the academic approach means understanding, forming a conceptual framework within which rational and objective decisions can be made, then it would appear T.C.S. has a long way to go. There is much truth in the statement that "because the significant aspects of performance are so multifarious, and the relations between them so complex, that they only begin to add up to a coherent and comprehensive picture of the situation within the framework of an organic, articulated model". (14) At the present time there is no articulated model and there are no coherent standards in T.C.S. (15)

If there are no performance standards, how then can an objective performance appraisal and promotion system be developed? Indeed, how does management relate what individuals are contributing to organizational goals? Finally, would not performance standards be one way of forming links in the means-end chain and help to clarify whether the goals sought are the organization's "real" goals or the displaced goals which seek to maintain the organization?

(14) O.E.C.D., Quantitative Models as an Aid to Development Assistance Policy, Paris 1967, p. 53.

(15) Some would argue that there is an implicit bureaucratic model in use in T.C.S., in the Department and, indeed, throughout the Federal Government which affects the decision-making process, including how an organization evaluates its personnel. It is the difficulty of breaking out of this bureaucratic mould on the one hand, and apparent unwillingness on the other, which is keeping T.C.S. on a crisis management treadmill.

For a detailed description of the bureaucratic model and a viable alternative to it, see Stanley Young, Management: A System's Analysis, op. cit. Young suggests, for example, that because the bureaucratic model is essentially an unplanned decision-making process, serious and persistent management problems arise.

CHAPTER V

PERSONNEL EVALUATION

To this point we have discussed the management information system needs of T.C.S. and its inability to measure the achievement of organizational goals. Now, in this chapter, we will discuss the T.C.S. promotion or reward system since the criteria used in a reward system are the best measure of what management thinks is important for the organization.

The object is to show that promotion criteria were and are being used which inhibit organizational and individual performance and perpetuate a "means" rather than a "results" emphasis in the Service. In doing so, the T.C.S. selection and promotion system will be described with particular emphasis being given to its concepts of career development and the T.C.S. merit system. It has already been shown in the previous chapter that T.C.S. management was and is not interested in an appraisal system based on performance standards.

Personnel Promotion Procedures

Since World War II, when the present promotion procedures were instituted, T.C.S. has been highly regarded by the Public Service Commission as a model for a closed career system. It is difficult to determine why this good impression was gained, but the procedures were generally looked

upon as being imminently fair.(1) There were relatively few appeals against promotions until 1968.(2)

Since 1968 however, a number of changes in the T.C.S. personnel practices began to appear. The first was an attempt to develop an "objective" performance rating form. The second was the use, in 1969, of managerial ability as a criterion in the selection of a General Director of T.C.S. The third was an implicit acceptance in 1970 of the assumption that a good Trade Commissioner did not necessarily make a good post manager or a good Director at Headquarters. Up to 1970 there were no formal management training programs. Any management training an officer received was on his own initiative or on the job.

With the above in mind, we will first look at the procedure developed for "Director Succession", following which the present T.C.S. selection and promotion system will be discussed.

From 1904 to 1921, Directors of the Trade Commissioner Service were not Trade Commissioners who had once served abroad. The first two Directors were political appointees, with F.C.T. O'Hara being first the private secretary to the Minister, Sir Richard Cartwright, while Richard

(1) Since the Millard case heard September 10, 1969, by the Supreme Court of Ontario, the confidence in the system has been severely shaken. Mr. Millard, a Foreign Service Officer with External Affairs appealed the fact that he was not promoted on the grounds of improper promotion procedures. The Court, which ruled in favour of Mr. Millard, severely criticized the promotion procedures but was not able to promote Mr. Millard. A subsequent promotion board confirmed the decision of the first board. The promotion's procedure in External Affairs and T.C.S. at that time was basically the same. Since then the Public Service Commission has "directed that a closed competition ... to be held to consider promotions ... effective April 1, 1970". (T.C.S. Memo. April 21, 1970, Competition No. 70 PITC13), file 610-3.

(2) In 1968 there were an unprecedented (for T.C.S.) 8 appeals, resulting from the October 1968 promotions board.

Grigg was the personal appointee of Sir George Foster. After 1918, and the inclusion of foreign service personnel under the Civil Service Act, Departmental management could select a new Director by either an open competition, which would mean allowing any person inside or outside the Public Service to compete for the position provided he met certain qualifying criteria, or it could select from a limited number of candidates available within the Department, or it could restrict the potential candidates to Trade Commissioners.

From 1921 to 1969, with only one exception, the Director of the T.C.S. has been a former Trade Commissioner.(3) This convention was well established, but in 1969 it was challenged by the new Assistant Deputy Minister (Trade Promotion) when a successor to R.K. Thomson was to be chosen as General Director.(4) It had become almost a convention that the outgoing Director (i.e. the General Director) choose his successor. In any event the convention was tested and a closed competition was held to select the new General Director. Five candidates were interviewed, four of whom were Trade Commissioners, the fifth was the General Director of the International Defence Programs Branch, formerly with the Department of Defence Production.

No records of the proceedings are available but managerial ability and personnel experience were supposedly stressed. Although all the candidates

(3) The exception was C.H. Payne, Director from 1927 to 1932 and again from 1940 to 1943.

(4) This title is synonymous to the old title of Director T.C.S. and was changed in 1968 with the reorganization of the Department of Trade and Commerce.

had for some time been in charge of an area which called for management skills, none were noted for their ability in this area nor for any special management training. The new General Director selected, H.M. Maddick, was formerly the Director (Personnel and Finance) T.C.S.

Even if managerial ability has rarely been used as a criterion this is not to say that no criteria have been used. In fact in 1925 rather elaborate criteria were established to choose a new Director. In 1924, Mr. Thomas A. Low, the Minister of Trade & Commerce decided to re-establish the post of Director and to fill the position of Inspector. Various Trade Commissioners were graded according to four general criteria - correspondence and "results", reports for the Commercial Intelligence Journal, reporting of tariff information, and office accounts procedures, (See Chart VIII). As a result of this rating the Minister promoted W. McL. Clarke, the Trade Commissioner in Milan, Director effective April 1, 1925. Although D.H. Ross stood first, he evidently did not wish to return to Canada. The Minister, on the other hand, wanted to send Mr. Wilgress to Russia since he was the only officer in the Department who could speak and write Russian. While Clarke, Watson and Bryan were tied in third place, Clarke was considered best fitted for the general direction of the Commercial Intelligence Service: in any case he was senior in appointment to Bryan while Watson was getting old.(5)

(5) Letter from Deputy Minister O'Hara to Civil Service Commission December 29, 1924.

These are hardly appropriate criteria for ensuring that the best possible manager is chosen. T.C.S. viewed as a sub-system, was obviously being influenced greatly by the management of the larger system of which it was a part. If O'Hara, the Deputy Minister, and succeeding Deputies chose criteria which did not stress managerial ability, it could only result in good managers being overlooked, unless they were also the best in the other criteria. If not, this was an implicit de-emphasis of managerial skills.

If good management is not considered important for promotion, it does not take long for individuals to concentrate on those qualities which are considered important. Warner and Havens have stated that "to the extent that organizational goals and sanctions do not coincide, the sanctions will provide a better basis for predicting the action of the organization or its personnel".(6)

For example, a characteristic of T.C.S. Directors, common since the early 1930's, is their ability to 'get along' with the Department of External Affairs. It is difficult to assess whether this was an induced characteristic (demanded in order to do the job) or whether Directors were chosen because of their ability to cooperate. One Director, L.D. Wilgress, developed this ability to such an extent that it has been observed that he tended to be more concerned with the welfare of External Affairs than with T.C.S. Perhaps this had a great deal to do with his being offered an Ambassadorship in 1942, which he accepted.

(6) Warner and Havens, "Goal Displacement", op. cit., p. 550.

Key to Table:

(1) Listed in order of seniority of appointment.

T - Total

- I A Experience
- B Attention to Correspondence
- C Results obtained
- D Thoroughness
- E Manner

Cosgrave was given an overall rating of 39 points in this category. Smith was unranked because of the specialized nature of his duties.

- II F Regularity in reporting
- G Accuracy
- H Conciseness
- I Attention to relevant details
- J Judgment

- III K General knowledge
- L Promptness in forwarding information
- M How work specially assigned is done
- N Accuracy, reliability and attention to important detail
- O Clarity in letters and in articles written for publication.

An asterisk indicated that the average for the whole group was used either because the Trade Commissioner concerned had been in his post for too short a period or because he had not been called upon to undertake the particular work in question. Gilchrist gave Croft a total point rating of 37, MacEachern 30.

- IV P Economy
 - Q Co-operation
 - R Thoroughness
 - S Accuracy
 - U Neatness.
-

Chart VIII
1925 Criteria for Selection of the Director of T.C.S.

TRADE COMMISSIONERS (1)	I CORRESPONDENCE RESULTS										II REPORTS FOR JOURNAL										III TARIFF REPORTING										IV ACCOUNTS									
	A	B	C	D	E	T	F	G	H	I	J	T	K	L	M	N	O	T	P	Q	R	S	U	T	TOTAL															
D.H. Ross	3	10	7	8	10	10	45	10	10	7	10	10	47	9	10	10	9	10	48	8	9	9	10	10	46	139	1													
H. Watson	3	7	10	6	10	6	39	7	9	6	8	9	37	8	7	8	7	8	33	9	10	10	10	9	48	164	3													
H.R.Poussette	3	6	6	6	5	6	29	7	7	6	7	7	34	7	6	7	6	8	34	7	8	7	3	4	29	120	14													
G.B. Johnson	2	8	9	7	7	7	38	10	8	7	8	6	39	6	7	7	6	7	33	8	10	10	9	8	45	155	9													
J.F. Smith	2	-	-	-	-	-	-	9	10	7	10	9	45	6	6	7	6	7	32	9	9	8	9	10	45	160	5													
L.D.Wilgress	2	8	10	8	10	8	44	10	10	9	9	10	48	7	6	8	5	10	36	9	10	10	10	9	48	170	2													
W.McL. Clarke	2	9	9	7	6	9	42	10	9	7	7	9	42	7	6	6	6	10	35	8	10	10	10	7	45	164	3													
A.E. Bryan	2	9	10	10	8	8	45	8	9	8	9	5	42	7	6	7	6	7	33	7	8	9	10	10	44	164	3													
H. Barre	1	3	5	1	3	5	17	4	3	4	3	5	19	4	4	5	3	4	30	7	3	5	6	9	35	50	15													
H.A.Chisholm	1	7	9	6	7	8	37	9	8	8	8	8	41	7	5	6	7	8	33	8	10	9	10	7	44	155	9													
A.S. Bleakney	1	6	8	6	7	6	33	7	7	5	6	7	32	4	5	6	4	3	22	8	10	9	9	9	45	132	12													
E.L. McColl	1	7	8	6	7	7	35	7	8	6	5	5	37	6	7	7	6	5	31	6	8	9	9	9	41	144	16													
F. Mudd	1	7	10	5	10	8	40	6	5	5	7	5	37	6	7	5	6	5	35	9	10	10	10	9	45	166	5													
G.R. Stevens	1	8	8	9	5	7	40	9	9	7	10	7	42	10	7	5	5	10	43	9	8	7	5	9	35	163	4													
A.B.Muddiman	1	5	5	10	5	6	40	8	8	9	9	3	42	6	6	7	6	8	33	9	9	9	10	7	44	159	6													
C.N. Wilde	1	7	8	5	7	6	33	7	9	6	5	5	35	7	7	8	7	9	38	9	10	9	10	10	48	157	7													
D.S. Cole	1	7	10	9	9	7	42	3	8	7	8	8	39	6	6	7	6	7	32	9	9	9	8	9	44	158	5													
F.H. Palmer	1	7	10	6	10	6	39	7	8	7	7	8	37	5	6	7	6	7	31	9	10	10	10	9	45	155	9													
J. Cormack	1	7	9	6	8	6	36	7	7	6	6	6	32	4	5	6	4	5	24	7	9	9	10	9	44	136	11													
R.W. Cook	1	7	5	6	6	6	33	7	5	6	6	6	30	4	5	6	4	7	26	5	8	5	10	9	40	129	13													

Getting along with External Affairs, however, may have been the only way in which Trade Commissions could have obtained the prestige, privileges and status considered so necessary for Trade Commissioners to be effective.

Trade Commissioner Recruitment and the Promotion System

From 1894 to the Civil Service Act of 1918, appointment to T.C.S. was political. In 1929, eight new Trade Commissioners were appointed as a result of a joint Civil Service Commission/Department recruitment board. This recruitment process has become more sophisticated since then but the basic concept has not changed.

T.C.S. has believed since the 1920's that its future is dependent on the calibre of its recruits and its recruitment program has been developed to ensure that a constant supply is available. This is a good management principle and it is worth examining how T.C.S. present recruits and the criteria used for promotion to see how this principle is put into practice.(7)

Recruitment for the Trade Commissioner Service is carried on in a highly competitive university market. National wage surveys are conducted by the Public Service Commission, to ensure that foreign Service Officer recruitment salaries remain competitive.

While the Public Service Commission has overall responsibility for recruiting personnel for the public service, T.C.S., in cooperation with the Commission, undertakes University Lecture Tours in an effort to increase the

(7) These recruitment procedures are drawn from T.C.S. Information Sheet #5, Recruitment, Revised, June 1969.

number of suitable candidates applying for appointments. Two officers were assigned, beginning in 1965, to lecture at major universities across Canada to make the university student more conscious of Canada's stake in international trade, and to maintain direct contact between the Trade Commissioner Service and the universities.

Entry into the foreign services is achieved through a series of tests starting in October with a written, multiple choice examination covering such areas as Economics, Political Science and Current Affairs. From this examination and their expressed first preference for employment, a number of candidates are selected for a personal interview. The oral board is conducted jointly with the Department of External Affairs and lasts approximately an hour. In 1969 the number of candidates interviewed was 450. Eight different oral boards visited centres in Canada, the United States and Europe. In 1930, 85 candidates competed.(8)

An oral board is composed of representatives from the Departments of External Affairs and Industry, Trade and Commerce with a chairman from the Public Service Commission and acts as a joint recruiting team assigning a mark to each candidate. If the candidate expresses an interest in both departments, the board assigns two marks, one for each department; these marks may be identical, but usually are not. The board member from the Department in which the candidate has expressed first preference bears a major responsibility for the final mark since it is felt he can best relate

(8) 38th Annual Report of Department of Trade and Commerce for FY 1929/30, p. 21.

the candidate's qualifications to the needs of his Department. The Commission officer ensures that all candidates are treated fairly and that their rights are protected. All board members sign the final rating form and bear "responsibility" for the mark assigned.

Officers participating on oral boards consolidate the order-of-merit lists which their board has established with those of the other boards. The consolidated list is reviewed by a board set up by the Public Service Commission. It has the ultimate responsibility to see the list is fair to all candidates.

After a security check has been made, offers are sent out by the Commission, usually in January, based on a candidate's standing on the order-of-merit list. Some candidates who qualify may not be offered employment since sufficient acceptances of employment may have been received from candidates who stand higher on the list.

A candidate must be under 31 years of age with a university degree, usually with a degree in either arts, sciences, mathematics, economics, business, law, agriculture, history, English, etc. The age of recent recruits has varied from 21 to 30 with the average being 25.

T.C.S. "seeks a mild extrovert with a good mind and adequate academic background. It is expected that the new recruit will have an enquiring mind and an acceptable personality. Generally they will be more mature than the average man of their age. Frequently, successful candidates will have studied or travelled abroad since this seems to have become a common experience for

the type of person sought".(9) Once appointed, a Trade Commissioner becomes part of a career service. A closed career system is based upon the principle that all qualified individuals within the career system be considered for promotion; individuals outside the system are usually not considered. One must balance the possibility of obtaining better qualified candidates outside the career group against the protection of opportunities for advancement for the members of the career service.(10)

Once admitted to a closed career service, personnel can anticipate gradual and usually slow progression upward through a variety of assignments. Although there is fairly severe 'competition' among the individuals within the service of the same rank, career individuals are usually protected from competition from outside the ranks.

An open career system, on the other hand, is quite different from a closed career system in that personnel are recruited from any level of education, at any age, and usually on the basis of a specific job classification.(11) If there is any career development inherent in the civil service system it is development at the initiative of the individual rather than at the initiative of the organization.(12)

(9) Ibid., p. 3.

(10) Frederick C. Mosher, Democracy in the Public Service, Oxford University Press, N.Y. p. 48.

(11) V.S. Wilson, "Staffing in the Canadian Federal Bureaucracy". Unpublished Ph. D. Thesis, 1970. (Queen's University, Kingston).

(12) Tentative attempts are being made by the Public Service now towards joint career development with more departmental involvement, e.g. the Career Assignment Program. But even here the onus for career planning is still on the individual.

Career services tend to look upon their work as a professional enterprise and to establish the image of a legitimate, recognized profession, as diplomacy is conceived as a profession.(13) The tendency of Trade Commissioners earlier in the history of the Service to regard themselves as an elite professional group or club appears to have had a centrifugal effect, segregating them both organizationally and "spiritually" from non-foreign service personnel of the Department. The effects of this "professionalism" could have had a lot to do with T.C.S. foregoing opportunities for expansion in areas such as Commercial Policy. (14)

Perhaps management's first duty after it has identified objectives is to know the extent of its human resources. Data Stream is probably the most sophisticated "inventory" compilation of an individual's knowledge, experience, capabilities and interests in the Federal Public Service.(15)

T.C.S. management was concerned when the Public Service introduced Data Stream. They saw it as a means for other departments to identify and then tap the "pool of talent" which T.C.S. felt it had accumulated over the years. There was little or no recognition within T.C.S. management, of the potential benefits that Data Stream opened up for its personnel by providing multiple career avenues. It was not felt that such additional career avenues could, in fact, attract even greater numbers of young, capable people to T.C.S. for

(13) The name of the Bargaining Agent of the Canadian Foreign Service Officers, namely the Professional Association of Foreign Service Officers, tends to reinforce this statement. This is not to say that T.C.S. is a professional group, at least in the sense described by Victor Thompson, Bureaucracy and Innovation, op. cit. pp. 92-95.

(14) "The 'professional' culture may determine how the systems responds and to whom it responds". See Harold Seidman, "Response: New Aspects for Attention in Intergovernmental Relations", Public Administration Review, May/June 1970, No. 3, p. 273.

(15) Data Stream is the Public Service Commissions's automatic data processing personnel inventory system.

a shorter period if they could see opportunities for moving elsewhere at a later date.

T.C.S. management's concept of career service helps explain the inflexible approach to personnel development and its lack of interest in an objective performance appraisal system. To T.C.S. a career means lifetime service with a successive series of opportunities to do significant work.(16) The frequent postings overseas gives an aura of challenging and significant jobs but there is no real substantive change in the job to be performed as between posts and levels of employee as the job is now conceived.

This paternalistic approach to career development plus the lack of interest in performance standards suggests that there was no interest in, and no way to relate, performance appraisals to organizational objectives. Appraisals were and still are subjective which is not to say subjectivism can ever be entirely eliminated from performance reviews. In T.C.S. the lack of performance standards, organizational objectives, long range personnel establishment forecasts and plans, and a narrow view of career development have resulted in a promotion procedure which has as its principal criteria "time in grade" and good personal relations with T.C.S. management.(17) It

(16) Frederick Mosher, op. cit., p. 51.

(17) In July, 1970 the time in grade criterion for promotion from the FSO 5 to FSO 6 was appealed on the grounds that it was not an appropriate measure of ability and therefore negated the merit principle. The appeal was sustained and a new promotion competition was held. (See P.S.C. Appeal Board's decision file 70-21-ITC-5, July 21, 1970). Time in grade means that a foreign service officer must spend a specified time in a particular grade before he becomes eligible for consideration for promotion regardless of his ability or his contribution to the organization.

also resulted in no distinction between qualifications for promotion based on ability as a Trade Commissioner and as a manager; they were considered synonymous.

The "time in grade" system distinguishes between "outstanding", "above average", "average", and "below average" Trade Commissioners but there is no objective way to determine who is average. Time in grade effectively reduces the number of personnel eligible for consideration for promotion at any one time and makes it easier to sort these 'eligible' individuals into the four categories listed above. It is this second sorting process which is so subjective.

Not until December 2, 1969, seventy-five years after the first Trade Commissioner was appointed, were T.C.S. Promotion Board Criteria developed and distributed to Trade Commissioners. In effect the criteria were intended to curb criticisms of the "time in grade" approach. In part they stated:

The old policy of "time in grade" as a basis for determining eligibility for promotion was thoroughly considered and it was agreed by the promotions board that this factor by itself could not be considered a relevant factor in the field of competition for promotion. However, the promotions boards did recognize that while merit must be the basis for promotion, overall merit must be a combination of performance and experience, and that experience by definition takes time to acquire. Therefore, the amount of time which is normally required to acquire the relevant experience, while not the sole or limiting basis for promotion, is nevertheless significant since the experience required in order to move to the next level of responsibility requires time, and in some instances this time factor may vary from grade to grade, as certainly it varies from individual to individual.(18)

(18) T.C.S. Circular Letter, Personnel 69-19, December 2, 1969, Appendix A.

T.C.S. promotion criteria can therefore be structured as follows: "time in grade" is required to gain Experience which, depending on the ability of individuals, can be gained in a shorter or longer period. Ability is classified as (1) Outstanding, (2) Above average, (3) Average, (4) Below average. Each of the above classifications has a minimum time in grade associated with it. There are no results oriented criteria to determine outstanding, above average, etc. The time in grade criterion applies equally to promotions to higher level responsibilities (e.g. management) and to promotions where there is no change in responsibility but where there is a change in salary.

A more appropriate promotion system would appear to be to recognize at least two kinds of promotions: (a) promotion where the job content does not change significantly but the individual's productivity increases. Promotion here is a reward for services rendered and increased productivity deserves a salary increase, and (b) promotion where there is a significant difference in the job content and increased responsibilities. The criteria for promotion should be significantly different than in (a) above. The first kind of 'promotion' is based on a reward for a job or function performed well in the past. The second is based on performance for work well done in the past and the ability to perform different functions in the future, e.g. moving from a non-managerial to managerial function.

Time in grade under this system is no longer a relevant criterion, except where it is implicit that some time is required between the start of

an assignment or job until results are achieved. Certainly "time in grade" as defined by T.C.S. management as the amount of time which is normally required to acquire the relevant experience is not relevant for promotion to a higher level of responsibility. For example, advancement from the grade 5 to the grade 6 level is considered by T.C.S. " a most significant career progression ... (since) a grade 6 officer should be capable of performing duties at the Director level in head office". This seems logical but the criterion goes further and says "an officer being considered for advancement ... should normally have a minimum of 2 years experience at the grade 5 level, combined with evidence of outstanding performance during this period".(19)

Since there are no positive descriptions for the duties to be performed at the "Director" level in head office it is impossible to comprehend which other criteria are being used by the promotion board except time in grade and, indeed, to comprehend the value of 2 years at the grade 5 level for performing functions at the "Director" level.

Management skills which would seem to be a fundamental requirement for performing duties at the Director level are not even considered. The present T.C.S. procedure is a classic illustration of how the "Peter Principle" gets its start and how the Merit Principle can be ignored when a merit system is based on irrelevant criteria.(20)

(19) Ibid.

(20) The Peter Principle relates to the promotion of individuals to the level of their incompetence.

If the criteria for promotion are inadequate why has there been a low F.S.O. turnover? From 1945 to 1970 there has been a remarkably low turnover, although the percentage has been increasing in recent years.

Rates of turnover could be a function of: obsolescence (competent once, but now outdated); incompetence (found out after being hired - poor selection procedures); reduction in staff (an austerity program); dissatisfaction with a) living abroad, b) promotion criteria, c) the job content; dishonesty; retirement; move to another job for reasons other than dissatisfaction; illness.

Of these eight reasons, dissatisfaction with the promotion criteria has not, to date, been a significant factor in F.S.O. turnover but will likely play a greater role in F.S.O. turnover in the future.

Since 1945 a growing service meant regular promotion for a broad spectrum of Trade Commissioners, as a result of the time in grade criterion. Individual satisfaction and motivation was not a major problem since without clear cut organizational objectives, an individual could always interpret his own actions to his satisfaction.

If the content of an organizational decision is left to the discretion of each Manager, and because each may have a different concept of the components of an organizational solution, there can be as many different outputs as there are Managers. Moreover, one Manager may believe that a solution should not be written with the expected payoff, and so on. Differing outputs imply different decision-making processes, and the range of the value of output will vary accordingly.(21)

(21) Stanley Young, Management: A Systems Analysis, p. 194.

The foregoing accurately describes T.C.S., at least until 1970. Up until now posts have, by and large, controlled all promotional activities in their territories. Under this system T.C.S. can be described as a highly decentralized organization, or as a confederation of posts brought together for "pay and rations" at a central headquarters in Ottawa. This kind of organization produced enough environmental freedom for individual well being and growth demanded by the kind of Trade Commissioner being recruited. But it is difficult to maintain this freedom and yet integrate posts with other organizational units in order to achieve common objectives. This is one of the major problems facing T.C.S. management.(22)

As P.P.B. demands greater attention to output and brings with it more centralization, satisfaction through diversity will no longer be possible; other avenues must be found. Similarly, a reasonable relationship must be established between the output demands of the post P.P.B. era and promotion criteria. Without this relationship, personnel dissatisfaction with the promotion criteria will become, and is becoming, a real managerial problem for T.C.S. T.C.S. management's reaction to performance standards indicates how serious the problem is and how little effort is being made in this area.

Career development and personnel appraisals are just means for achieving organizational goals. Without them, in the short run, it is likely

(22) A former Trade Commissioner stated (June 11, 1970) that there is a direct relationship between the emphasis placed by a Trade Commissioner on job content and objectives and his dissatisfaction with T.C.S. On the other hand, the more a person is inclined to value a life overseas with frequent assignments and not results, (i.e. the T.C.S. life style) the more satisfied he is likely to be with T.C.S.

some organizational goals would be achieved. In the long run, they are essential for motivational and control purposes. Indeed, the criteria used in personnel appraisal are crucial to the selection of individuals for higher level positions such as management.

Career development and personnel appraisal cannot take place in a vacuum; they must be related to organizational goals if the organization is to be effective and efficient. The problem is how this relationship is to be achieved.

This chapter has described the process used by T.C.S. in the past. Previous chapters have indicated the attempts made to identify objectives through a Management Information System, and to establish performance standards. These are the tools which management can use to motivate and control its employees. To be meaningful the personnel appraisal criteria used must, however, be related to organization output. Unfortunately, a meaningful relationship does not now exist in T.C.S.

CHAPTER VI

OBJECTIVES AND OUTPUTS

Before an overall evaluation of T.C.S. management is possible, it is only fair to review its objectives and output at various points in its history. In this way an objective appraisal can be made as to the calibre of its management.

This chapter, then, will identify the statements of objectives for both the Department of Trade and Commerce and the Trade Commissioner Service and the measures used to determine output.

The relationship between organizational goals and performance measures is critical. Output measures imply testing of organizational effectiveness; and "an organization is severely handicapped if its effectiveness is not tested, for lack of evaluation and feed back may force the organization and its programs into more nonrational forms and programs".(1)

The intangibility of goals makes it possible to accept the assumption that an organization is effective, especially if its personnel seem sincere, enthusiastic, and hard-working. Assuming effectiveness as a given prevents adequate evaluation.(2)

Apart from the "rapidly ... increasing trade of Canada" which required the attention of a Minister "whose time and energy should be applied

(1) Warner and Havens "Goal Displacement", op. cit., p. 545.

(2) Ibid., pp. 544 and 545.

to trade matters", (3) there does not appear to have been any specific government objective in mind when the Department of Trade & Commerce was created. Indeed, the Department was not established until some 5 years after assent of the enabling legislation so whatever the objectives were they were not imperative. Moreover, the Trade and Commerce Act was so broad that it was able to accommodate both "distributive" (i.e. services to business) and "regulative" (i.e. weights and measures controls) responsibilities. (4)

The only Departmental objective in its First Annual Report was "to show to the people of Canada in a comparative sense the commerce of the world and to point out new avenues through which increased trade may be brought to our shores or through which our increasing products may be carried to countries in quest thereof". (5) This seems more like an objective one might establish for the Annual Report itself than for the Department. In any event, commercial intelligence became the objective from which evolved its "distributive" or service responsibilities, and the Commercial Intelligence Service was the sole means for achieving that objective. By 1926, however, the Commercial Intelligence Service had established itself as "that branch ... which is designed and maintained to assist Canadian exporters in finding and developing markets abroad. It is essentially a service department of the Canadian Government". (6)

(3) Quote of Sir John A. Macdonald as cited in Seventieth Annual Report, Department of Trade and Commerce, 1961.

(4) See Theodore Lowi, "Decision-Making vs Policy-making: Towards an Antidote for Technology", Public Administration Review, May/June 1970, p. 321 for a discussion of policy and the kinds of legislative authorities.

(5) Dominion of Canada, Report of the Department of Trade & Commerce, for fiscal year ended June 30, 1893.

(6) Thirty-fourth Annual Report of the Department of Trade & Commerce for FY 1925/26, p. 23.

During this period, the output measures for C.I.S. were synonymous with those of the Department, (7) but the question is - are these output measures relevant for the objectives identified? Up to 1926 C.I.S. measured its performance in terms of the volume of correspondence answered, (1918, 1919, 1920); number of trade inquiries received, (1919); and number of "unsolicited appreciations" received from Canadian firms, (1923, 1926); number of special reports written (1926) and the amount of business influenced (1926); number of foreign firms canvassed, (1926). No measures were used in 1923 and 1924. (8) Throughout this period there were frequent disclaimers such as "while it is more often impossible to estimate actually the results obtained by the Commercial Intelligence Service on a basis of dollars and cents, it is clear that the Trade Commissioner Service is appreciated by a larger number of exporters from the increasing number of letters of appreciation which have been written to the department". (9)

From 1927 to 1970 a more or less "systematic" record of "results" has been kept, and includes business influenced, foreign agencies established by Canadian firms, special reports for Canadian firms, trade inquiries received, interviews held, reports written for Foreign Trade Magazine, branch plant and other industrial development inquiries. (10)

(7) In this analysis only those measures recorded in the Annual Report are used for comparison purposes.

(8) Annual Reports for fiscal years 1917/18 to 1925/26 inclusive are used.

(9) Annual Report, FY, 1925/26.

(10) No measures were recorded from 1944 to 1952.

Only in 1928, and since 1968, has any attempt to relate the cost of the service rendered to results, measured in terms of business influenced.

(11) In 1928 business influence amounted to \$6.3 million, while the cost of C.I.S. was \$413,294, "so that for every dollar expended on the service last year, over \$14 came back to Canada in the form of new business".(12) This new sales to sales cost figure became, in 1968, the principal performance measure used by T.C.S. (Operations). In 1968, however, the sales to sales cost ratio was estimated at 36 to 1.(13) One element of that ratio, business influenced, has become one of the main means by which T.C.S. measures how effectively it increases dollar returns to Canada through export promotion. In the May 1970 T.C.S. Personnel Bulletin, T.C.S. Operations and Development stated:

Posts are to be congratulated on their collective achievements in 1969/70 as evidence in both the statistical and narrative portions of the Post Annual Reports. Business influenced reported totalled almost \$430 million. We have no delusions as to the intrinsic validity of "business influenced". However, in pursuing "a management by objectives" philosophy there has to be objectives, and for T.C.S. the paramount goal is to increase dollar returns to Canada through export promotion.(14)

(11) No clear definition of business influence has ever been formulated. One was attempted, in 1968, by Mr. Ken Ramsey, while Trade Commissioner in Trinidad, as follows: "Those completed sales which to the certain knowledge of the Trade Commissioner, would not have been completed but for the intervention of the Trade Commissioner's office". This definition has never been universally used, however.

(12) Annual Report, FY 1927/28, p. 18.

(13) The difference in the two ratios can be attributed, at least in part, to the sales expenses of the Department not included in the T.C.S. budget in 1968 which were included or not present in 1928. It has been argued that the sales to sales cost ratio is not the most appropriate output measure and that "tax revenues represents the main quantifiable benefits resulting from export sales accruing to the government". (Lawrence D. Lederman, "Cost Effectiveness Analysis" Trade Commissioner Service, Ottawa, 1968 (unpublished) p. 12).

(14) T.C.S., Personnel Bulletin, May 1970, Part B., Note 31.

The first clearly stated Departmental objective and hierarchy of sub-objectives came in 1945 when the Department was reorganized. The objective was:

to establish new outlets for products of our factories, forests, fields and fisheries, and to furnish commercial information that will enable industry to adjust its production to meet new conditions.(15)

The Foreign Trade Service's objective which complemented the Departmental objective was "to promote international trade and provide information service for exporters and importers - Development of improved trading relations".(16)

In the same year, the Trade Commissioner Service objective was "Recruiting, training, posting and direction of Trade Commissioners at home and abroad - Trade inquiries in respect of countries and areas".(17) In relation to the two higher level objectives just quoted, the T.C.S. objective was input oriented and is indicative of how T.C.S. concentrated on personnel matters to the exclusion of organizational results.(18)

By 1953, however, the primary function of T.C.S. was the promotion of Canada's export trade.(19) This was even further expanded in 1956 to

(15) Annual Report, FY 1945/46, p. 5.

(16) Annual Report, FY 1945/46, p. 9.

(17) Ibid., p. 9

(18) Warner and Havens, "Goal Displacement" op cit., (see especially hypothesis 3).

(19) Annual Report, 1953, p. 18.

include the concept that the "maintenance and expansion of this external trade is of vital importance to provide stability to the Canadian economy, to ensure maximum employment, and to preserve a high standard of life".(20)

From 1956 to 1964 there were no explicit departmental or T.C.S. objectives; only functions were described, for example, "the Department of Trade and Commerce is charged with promoting Canada's export trade, increasing tourist income and, in the domestic commerce field, maintaining prescribed statutory standards".(21)

While there were no explicit departmental objectives stated in 1968, T.C.S. objectives were:-

1. To assist manufacturing and process industries in Canada adjust to changing conditions in the international market and to realize their full potential;
2. To maintain a detailed knowledge of trends and developments in Canada and abroad relating to Canadian industrial development and trade;
3. To improve the access of Canadian goods generally into external markets through trade negotiations and promotion of trade relations with other countries;
4. To promote the optimum development of Canadian export sales.

In 1969 T.C.S. objectives were significantly revised and made more specific:(22)

1. Initiating promotional programs for the profitable marketing of goods and services abroad;
2. Providing assistance to foreign importers and Canadian importers, on request, on matters which lead to an improvement in Canada's balance of international payments;

(20) Annual Report, 1956, p. 18.

(21) Annual Report, 1965, p. 18.

(22) It was estimated by T.C.S. (Operations) based on an aggregate of all post time in the five activities listed for FY 1967/68, that posts spent 13%, 40%, 9%, 12% and 12% respectively. Export Servicing and administration consumed 4% and 10% respectively.

3. Providing services designed to advise and encourage Canadian exporters in the marketing overseas of goods and services and foreign businessmen in looking to Canada as a source of supply;
4. Providing a commercial intelligence network for the efficient identification of promotional priorities and export opportunities, as well as a basis for a realistic and effective trade policy and domestic economic policy;
5. Providing services to other government departments in allied and complementary fields through the facilities of posts overseas.

Two additional activities consuming post resources were a) Export Sourcing - i.e. the identification of Canadian capability and capacity for export. This was a function which normally should have been provided by the Commodity Branches, and b) Administration at post level.

To achieve these objectives and functions, T.C.S. had 73 posts in 50 countries and employed 277 Foreign Service Officers, 65 Foreign Service Employees, and 476 locally engaged staff at posts abroad, as of December 31, 1968. 1968 was the last complete year for Trade & Commerce as a separate Department.

On July 12, 1968, the Prime Minister announced the government's intention to create a new Department of Industry, Trade & Commerce which would be capable of developing policy and providing a full and balanced range of services to both business and government in the industrial and trade development field.(23)

(23) Statement of Prime Minister Trudeau, July 12, 1968, cited in the Annual Report, 1968, of the Department of Trade & Commerce, p. 7.

Following integration with Department of Industry, T.C.S. functions were changed to reflect the industrial development emphasis of the new department which, as defined by Mr. J.L. Pepin, Minister of Industry, Trade and Commerce, was to help to further the growth productivity, employment opportunities and prosperity of the Canadian economy through the efficient development of Canada's manufacturing and processing industries and the expansion of our trade and tourism. The basic principle of the Department's organization was to emphasize the essential relationship between industrial development and export promotion.

The new Departmental objectives, sanctified in the enabling legislation, (24) relate to the Economic Development functional classification of government, (25) however, a Departmental Policy Planning Task Force established early in 1969 was not able to identify exactly what that relationship was. (26)

As a result of the new Departmental objectives new or modified functional activities were identified by T.C.S.: (27)

(24) Revised Statutes of Canada 1968/69, Government of Canada Organization Act, p. 590. See also appendix A.

(25) Planning, Programming, Budgeting Guide, (Revised Edition) Government of Canada, September 1969, p. 58.

(26) A Task Force set up to inquire into the new departments program objectives and structure.

(27) Circular letter to all Trade Commissioners, Operations 69-37/Action, Post Forecast FY 1971/72 - 1975/76, December 31, 1969, especially the attached "Completion Guide".

- a) market development (this in effect combined numbers 1, 2, and 3 of the 1968 functions),
- b) production efficiency (designed to improve Canadian industrial efficiency. This was a new activity for T.C.S.),
- c) environmental improvement (essentially the same as activity number 4 in 1968),
- d) product innovation (designed to introduce into production in Canada new goods and services and new production technology likely to contribute to the growth of the Canadian economy. This activity, in part, was formerly included under Service to Other Programs),
- e) Service to other programs (the same objectives as activity number 5 in 1968).

It would appear, therefore, that a hierarchy of objectives was being attempted within the Department. Much work remains to be done to integrate these objectives in a system sense so that trade policy objectives are more fully integrated with the marketing objectives and vice versa.

Since no Departmental output criteria exist, (28) T.C.S. management is still forced to make assumptions as to what Departmental output should be (if it wishes to relate to them) and then develop its own output criteria on which it can manage. The T.C.S. criteria mentioned earlier, and in use since

(28) As mentioned in footnote 26, the Departmental Policy Planning Task Force set up in 1969 to recommend a departmental program and activity structure for the Department's FY 1970/71 Program Forecast attempted to identify National Goals and the Department's program objectives. The result was a significant step forward but still far from satisfactory. No measures of Departmental performance (output) were identified or, indeed, considered.

1927 do not appear appropriate output measures as there are more functions performed (i.e. input oriented). Provided there is a logical relationship between levels of objectives, the output resulting from the alternative means chosen to achieve those objectives should provide T.C.S. management with various indices of performance for both posts and post managers. Objectives become standards once they have been agreed upon. T.C.S., however, has neither chosen to make assumptions about Departmental output, nor established performance standards for posts and post managers.

But before T.C.S. can begin to develop its own performance measures it must sharpen its objectives. For example, in 1970 the T.C.S. function of market development includes both work initiated by the Trade Commissioner and responsive work initiated by others. At the present time, responsive work has first priority and can "comprise a substantial 'base-load' for many offices".(29) Since the Trade Commissioner has no way of assigning a lower priority to responsive work,(30) it would be inappropriate to judge him, using the same criteria as would be used to measure his performance on the work he initiates. T.C.S. management has, therefore, no way to judge performance in this activity as it does not segregate its data. Consequently while it pays lip service to performance standards it has made only marginal gains in this area.

(29) Circular Letter, Operations 69-37/Action, op. cit., p. 2.

(30) All inquiries received by a Trade Commissioner must be serviced first, therefore the origin of the 'base-load' concept. The Deputy Minister recognized the problem inherent in the responsive nature of Departmental work in 1967 (J.H. Warren, "A Look at the Past - Blueprint for the Future", p. 12) but did not propose any solutions. Since the Department tends to look askance at a Trade Commissioner who gives an exporter's inquiry "short shift", it is doubtful that much change can be expected in the 'base-load' concept.

Much work also remains to be done in the Department in making assumptions about "reasonable national goals" and output criteria from which the Departmental program can be developed and measured.(31) A bottoms-up approach, by branch, must continue until such time as "future states" are developed from which national goals can be identified.(32)

While the Departmental and T.C.S. objectives have modified substantially over time, Departmental performance measures have never been developed and such measures as have been identified for T.C.S. have been largely input oriented.

It is no exaggeration to say that Departmental management still does not have explicit guides for measuring its performance, and that the performance guides used by T.C.S. are rudimentary.

(31) The Program Policy Task Force, referred to in footnote 28, could not reach agreement on how the Department's program contributed to either the goals as enunciated by the Economic Council or the Treasury Board's functional classification of government.

(32) 'Future state' refers to normative planning. See Malcolm Rowan, "A Conceptual Framework for Government Policy-making", Canadian Public Administration, Fall 1970, pp. 277-296.

CHAPTER VII

EVALUATION CRITERIA

Now that objectives and output have been reviewed, it is possible to evaluate T.C.S. management. This chapter first states the criteria to be used in this evaluation process and then makes normative statements as to the calibre of T.C.S. management.

A basic assumption of the evaluation process is that management of a public (non-profit) organization should attempt to adapt to new environments by constantly redefining objectives even though such redefinition may lead the organization into areas not foreseen at the time of its creation, and even though the organization may compete for these areas with other interests (not necessarily governmental).

Goal succession, then, is important if an organization is to adjust to changes in its environment. This kind of goal change is substantially different from the goal displacement which occurred in T.C.S. as a result of the intangibility of its goals.(1)

Valid generic criteria for evaluating Public Service management appear to be non-existent (unlike private industry which can use return on investment and other ratios), although some organizations have specific criteria applicable to certain aspects of their particular organization.

Criteria are tests of acceptability, standards against which to

(1) Warner and Havens, "Goal Displacement", op. cit., pp. 540-541.

measure performance acceptability and should, when possible, be related to absolute values. In the case of performance standards, those values are often objectives to be achieved. In developing criteria for a business environment, General Electric asked the test question (i.e. a criterion for criteria):

Will continued failure in this area prevent the attainment of management's responsibility for advancing General Electric as a leader in a strong competitive economy, even though results in all other result areas are good?(2)

The key result areas identified by General Electric were:

1. Profitability	5. Personnel Development
2. Market Position	6. Employee Attitudes
3. Productivity	7. Public Responsibility
4. Product Leadership	8. A balance between long and short range goals.

Such criteria at first glance seem inappropriate in public administration, but on closer examination practically all are appropriate, with some modification, even in a non-profit environment, as will be seen when used to evaluate T.C.S.

Fortunately, T.C.S. management can be evaluated over most of its 76 years by looking at what it has done and the consequences of its actions. With recent T.C.S. management it is not possible to use this criterion at least with the same precision, because the effects of its actions will not

(2) Robert W. Lewis, "Measuring, Reporting and Appraising Results and Operations with Reference to Goals, Plans and Budgets", Financial Executive's Institute, New York, 1954, p. 30.

be felt for some time. Consequently, much more detail of recent T.C.S. administration has been provided in this paper so an appreciation can be gained of its approach to management and the likelihood of its success.

The criteria used to evaluate T.C.S. are listed below. Under each criterion, where applicable, is listed in parenthesis the corresponding General Electric key result area.

Primary Criteria

1. Contribution to the achievement of departmental objectives, i.e. an output. (Productivity)
2. Results or benefits achieved versus the cost of their achievement. (Productivity)
3. Flexibility (which implies willingness) to adapt to a new environment. (Product Leadership)
4. Frequency and honesty with which the organization's objectives are reviewed and plans made to implement or achieve those objectives. (Balance between short-range and long-range goals).
5. Ability of T.C.S. to maintain its market share, i.e. its relative position within the Department and within government as a whole. (Market position)

Secondary Criteria

1. Ability to attract and hold good people over a long term. (Personnel Development and Employee Attitudes)
2. Degree of attention to detail by senior T.C.S. management. (Personnel Development)
3. Degree of delegation of authority. (Personnel Development)
4. Procedures for maintaining 'control' of the organization.
5. Methods for measuring individual and organizational performance.

Many of the above criteria are related. Moreover, the primary criteria relate mainly, but not exclusively, to organizational output (the result of management's efforts) while the secondary criteria relate mainly to organization input (the means by which management produces output). In the evaluation process, care has been taken to keep in perspective the principal variables or constraints which may have had an effect on decisions taken.

There are, of course, other criteria which could be used that look at an organization from a different perspective and which, by doing so, provide an insight into its effectiveness. Perhaps the best 'systematic' set of criteria for measuring the management process in control terms is the concept developed by Robert Anthony in Planning and Control Systems: A Conceptual Framework. (3)

The areas he identifies are: strategic planning, management control, operational control, and financial control. All of these areas of control operate within a management information system. While Robert Anthony's criteria will not be used to evaluate T.C.S., it is apparent that T.C.S. concentrated its primary attention on some, but not all, aspects of operational control.

(3) Robert N. Anthony, Planning and Control Systems: A Conceptual Framework, Harvard University Press, Boston, 1965, p. 19.

Using the modified General Electric criteria identified earlier, then, it is possible to evaluate T.C.S. management, even if imprecisely.(4)

This can be done simply and in summary form as follows:

Primary Criteria

1. Contribution to achievement of Departmental objectives.

It has been shown there have been few Departmental objectives with the clearest being in 1945, 1967 and 1969. Since no Departmental output measures were developed, the objectives were more platitudes than meaningful goals. It is impossible to say, then, whether T.C.S. contributed or not to Departmental goals.

2. Achievement of T.C.S. objectives.

Until 1969 T.C.S. objectives were input oriented, consequently no output oriented objectives are available to measure against. T.C.S.'s input objectives of recruiting, training, and posting of Trade Commissioners were achieved, but there has been no recruitment and training of future managers.

3. Results or benefits achieved vs costs of their achievement.

Absolutely no thought was given to this relationship between 1894 and 1968, except for an isolated case when a rough sales to sales cost ratio was used in 1928 and again in 1968.

4. Flexibility (implies willingness to adapt to a new environment).

There is some evidence of such flexibility up to 1932. From then on T.C.S. became progressively more rigid in its approach to its role.

5. Frequency and honesty with which the organization's objectives are reviewed.

There is little evidence that T.C.S. management has seriously defined its objectives from 1894 to 1970, although tentative work was started in 1944 and again in 1968.

6. Ability of T.C.S. to maintain its market share in the Department.

The decline which started in 1932, when the Foreign Tariff Division separated, accelerated in 1940, with the creation of the Commercial Relations Branch, accelerated again in 1946, with the creation of the Foreign Trade Service, and again in the 1960's, with the intrusion of the provinces and DDP into the export promotion field.

(4) Supra, p. 143.

Secondary Criteria1. Ability to attract and hold good people over a long term.

There has been a low turnover of F.S.O.'s relative to the rest of Public Service and if this criterion alone is used T.C.S. would rank high in a comparison with other governmental organizations.

2. Degree of attention to detail by senior T.C.S. management.

T.C.S. management pays an inordinate attention to personnel problems and details. Management and non-management problems which could be delegated are not.

3. Delegation of Authority.

There is little delegation of authority, especially in T.C.S. Headquarters.

4. Procedures for maintaining control.

There has been no systematic method of controlling the organization by objectives except recently with the introduction of the new reporting system which replaced a plethora of reports posts had to send to the Department.

5. Methods for measuring individual and organizational performance.

There are no criteria for relating organizational and individual contribution to the achievement of results.

The above criteria indicate major areas of weakness in the T.C.S. management system.

CHAPTER VIII

CONCLUSION

To this point, the history of T.C.S. and of the Department of Trade and Commerce has been sketched from 1892 to 1970 with particular reference to its objectives, its output and its relationship to its environment, including such environmental factors as T.C.S. in competition with other organizations for "control" of export trade promotion. Also looked at has been T.C.S.' relative importance within the department, the appropriateness of its internal management structure and processes, and its right to survive. Moreover, those periods throughout its history have been identified where the major variables came into play affecting the future direction of the organization.

It is maintained that goal displacement occurred in T.C.S. It is also maintained that the key variable which allowed goal displacement to take place was the calibre of its management. While it can be argued that the decisions of management were rational, considering the other variables at play, this thesis nonetheless rejects that line of thought. Indeed, to accept it would mean accepting that it is rational for managers to put organizational survival as their number one priority and, consequently, any action towards that end is rational and therefore valid. Moreover, it would mean accepting that because an action is rational, it is inappropriate for people, either inside the organization or outside of it, to question their actions. This kind of reasoning encourages goal displacement.

The questioning of actions and the goals behind them by subordinates is becoming more prevalent today and means that managers can no longer assume that the organization has a mandate which gives them the

right to continue in perpetuity or until such time as it is changed by an outside agency. While it may be "rational" behaviour for individual managers to make such assumptions and to act in ways which they see as ensuring organizational and personal survival, it is equally appropriate for overall government managers, and others, to make normative judgments which question that rationality. Indeed, it is their responsibility to try to change behaviour so that it becomes more "rational" for subordinate managers to act in ways which result in the phasing out of the organization, if need be, or in goal succession.

The review of the T.C.S.' goals and evaluation criteria reveals an imprecision which appears to be at the root of its goal displacement problem. The more the activities of the organization focused on input, however, the more the goals became sharply defined, and the more T.C.S. management allocated its own and the organization's resources to them. Early in its history, but especially from approximately 1932 onwards, T.C.S. chose to follow the tangible goals of creating a professional foreign service and closed career system with its concomitant life style. Moreover, it reinforced these goals by the evaluation system for both the organization as a whole and for individuals within the organization.

Once this strategy had become accepted (implicitly, never explicitly), it appears to have become the constraint which limited the alternatives open to T.C.S. and affected its structure and tactics. As a result, T.C.S. missed opportunities which caused it to become less influential within not only the Department, but in the governmental export trade promotion field.

Not only are T.C.S.' goals imprecise but its management rejected attempts to give them greater precision. Its unwillingness to invest resources in this area, coupled with its development of a promotion system that rewarded behaviour which conformed to the lifestyle concept of a Trade Commissioner, has resulted in successive managements lacking the knowledge and skills in the identification of real goals, organizational design and implementation of goals. Consequently there was and is a lack of correspondence between real goals and the organization's reward system.

The above factors combined with the lack of any real incentive, until recently, from central agencies encouraged goal displacement. Moreover, it allowed T.C.S. to pursue diverse and often inconsistent goals. Notwithstanding the political, economic, and other variables at play, the key variable, which promoted and encouraged the potential causes of goal displacement, was the calibre of T.C.S. management.

It can be argued that T.C.S. and the Department made the correct decision when it was decided that there should be a professional foreign service concentrating on trade promotional activities and that there should be complementary specialized branches in the Department looking after trade policy matters and relations with industry. It is beyond the scope of this thesis to go into the integrated mechanisms which were or were not developed to ensure effective co-ordination between the various specialized units of the Department. Suffice it to say, however, that the closed career system of T.C.S. and the "life style" projected for a foreign service officer did not encourage effective integrative mechanisms in the form of a program management capability in T.C.S. headquarters Ottawa or in postings of T.C.S. personnel in the

rest of the Department. Although throughout its history a number of Trade Commissioners were seconded to other branches of the Department and, indeed, to other departments of government, nevertheless, these were not effective integrators since there was never a coherent framework within which the whole Department was to operate. Not until the introduction of the P.P.B. system was there a means for developing such a framework. The Deputy Minister's own analysis would indicate that effective integrative mechanisms were not established.

At the height of T.C.S.' most dramatic growth during the 1950's and 60's, its management structure shrank until it became primarily a personnel and pay and rations service, resulting in it being less able than ever to sense environmental change or to cope with change. In effect, T.C.S. missed opportunities for goal succession.

As far as individual Trade Commissioners were concerned, up until the mid 1960's, they appeared to be highly independent of Ottawa, while, at the same time, T.C.S. management was highly paternalistic. The bridge between these two incompatible characteristics was the T.C.S.' reward or sanctions system which reinforced behaviours that contributed to organizational survival. Promotions to managerial positions have tended to be based on seniority and appropriate behaviour, rarely management skills. Furthermore, the reward system appears to have discouraged innovation even though, according to Victor Thompson's thesis, T.C.S. had, until approximately 1968 onward, ample opportunity to be innovative, since there has been no centralized control and a Trade Commissioner's job was as "broad" as he wished to define it. (1) Moreover, innovative activity was not stunted by any quantitative evaluation or measurement of contribution

(1) Victor Thompson, Bureaucracy and Innovation, op. cit., p. 32.

toward organizational goals. Such quantitative measurements were not used with the exception of the so-called business influenced reports which were imprecise, at best.

Although Trade Commissioners may not need to be highly innovative, the T.C.S. extrinsic reward system was such that it induced docility of its members and tended to stimulate conformity, rather innovation. This can, in part, be explained by the fact that, while not a pure "monocratic" organization, T.C.S. is monocratic to the extent that, as far as organizational change is concerned, the General Director is the only point of legitimacy. (2) New ideas and departures from tried and true methods are difficult to introduce under a monocratic organization because they are particularly dangerous to personal goals of the managers, and T.C.S. is no exception. (3)

This paper has not argued that T.C.S. should be, or needs to be, more innovative and less "production" oriented in its role. Indeed, the centralizing integrative mechanisms introduced in 1968 (the new reporting system) would indicate that the chances for creativity and innovation would be no better even if the reward system were changed. What is argued is that there is a need to relate the production (the consumption of inputs through activity to produce an output) to the goals of the organization. It is also argued that T.C.S. has developed and maintained the myth that it is an innovative non-production oriented

(2) This is still, by and large, true but some dilution of the General Director's authority has taken place with the appointment in 1969 of an Assistant Deputy Minister (Trade Promotion). This hasn't changed the monocratic character, however, since there is still only one avenue.

(3) Victor Thompson, Bureaucracy and Innovation, op. cit., p.27.

organization, while at the same time, it has kept tight control over those factors which can encourage innovation.

This thesis has maintained that the calibre of T.C.S. management has been the variable which has most affected goal displacement. Moreover, it is the variable which determines whether the organization is to control or be controlled by other variables.

It would be appropriate to state those areas where changes need to be made. First, T.C.S. needs to review its strategy and re-think the fundamental question, "what business are we in?" It needs to question the implicit assumption that it is in the business of being a professional career foreign service. That is only a means to an end. What is the end? From this re-thinking of the strategy, fundamental change may come in its structure; in the location of posts; in the organization of T.C.S. headquarters; in the closed career system; in the T.C.S. merit system and its concomitant personnel evaluation system and its criteria for promotion, especially promotion to managerial positions; in the appropriateness of the integrative mechanisms with the rest of the Department, and other agencies of government and the private sector; and in the kind of service offered to the business community. These are the primary areas which T.C.S. management should examine. In effect, it means questioning past rationality.

The task will not be easy as T.C.S. supplies what has come to be known as one of the 'soft' services of government. As such, its contribution is difficult to measure. Its appetite for resources is equally difficult to curb. Managers of 'soft' programs have, therefore, the difficult task of defining precise objectives and identifying output

measures. This task is made more difficult when there are few, if any, higher level objectives to use as benchmarks.

Compared with its first seventy-six years, T.C.S. is more systematic in its approach to management, but there has not often been conscious effort. Notwithstanding this 'systematic' approach, T.C.S. still prefers incremental decision-making to decisions based on planning. While it is impossible to evaluate an organization precisely when there are few, if any, objectives, and no output measures, perhaps the lack of such measures is all the evidence needed, since it is reasonable to assume that management can make assumptions as to higher level objectives and appropriate output measures.

The fact that T.C.S. survived for 76 years is not itself a valid criterion of success because there have been no measures for government to determine which organizations should survive and which should not. With the trend in the Public Service, in recent years, to more professional management, survival in the future may become more difficult for those organizations and managers without objectives and output measures.

Unless one assumes a static environment, organizational objectives must change over time and so must output measures. Any governmental organization has, therefore, a responsibility to modify or change outright its original purpose in order to meet the challenge of a changing environment. Defining objectives implies planning, which comes before, not after action. Planning is a managerial responsibility and must be done in a systems context, if it is to be meaningful.

The importance of objectives and integration of activities underlines the growing importance of management to the point where it is taking on the aura of a defined profession. Part-time managers who concentrate on "doing" rather than managing may survive because of the government's inertia, but they will find their actions more difficult to justify. Similarly, entrance criteria to the managerial field will and should be different from those used today. Excellence in a "doing" capacity is not necessarily an indication of the makings of an excellent manager.

T.C.S. management has seen its role as the restoration of equilibrium whenever the balance has been disturbed. There has been a bias against proposals which generate change. T.C.S. has had, however, more success stifling change initiated within the organization (i.e. the variables it controls) than change initiated by forces outside of its control.

The maintenance of equilibrium is perhaps a natural reaction of a management which sees what it is doing as an end rather than a means. If government organizations are to become effective, they must become more flexible in changing or curtailing present means (programs) and relating them to higher level ends. To do so, however, a better understanding of means-ends relationships must be developed.

The history of T.C.S. is a classic example of organizational goal displacement. Intangible goals and few performance measures have made it possible for it to become enamoured by the 'false gods' of professionalism and career service to the exclusion of what is the real purpose of all its activity. While management is only a means for achieving results, and the accent is on results not management, in complex organizations results do depend on good managers. The de-emphasis of managerial

qualities in its reward system has resulted in T.C.S. being unable to adequately cope with change.

There is no question that T.C.S. has been an active organization. But activity alone is not enough. It is often wondered, for example, where America would be today if Paul Revere had been satisfied with the activity of a rocking horse instead of a real horse. Similarly, one wonders where T.C.S. would be today if "real" goals had been sought.

The goal displacement of T.C.S. is probably not unique in the Public Service; its symptoms in T.C.S. are no doubt reproduced throughout the Public Service. (4) It is a disease which is not easy to stamp out, since it requires a good deal of introspection and, later, fundamental change. Both take rare courage. Fortunately, the social sciences are becoming much more sophisticated in describing organizations suffering from goal displacement so that there is hope that more managers will recognize the symptoms and take corrective action. The techniques of P.P.B., performance standards, and management information systems are indispensable aids in curing the disease and keeping the organization on track, but they are useless without managerial will.

(4) See G. Bruce Doern, "The National Research Council: The Cause of Displacement", op. cit. for another example.

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APPENDIX 'A'

CHAPTER 78.

AN ACT RESPECTING THE DEPARTMENT OF TRADE AND COMMERCE.

Short Title.

1. This Act may be cited as the Department of Trade and Commerce Act. R.S., c. 200, s. 1.
2. There shall be a department of the Government of Canada called the Department of Trade and Commerce over which the Minister of Trade and Commerce appointed by commission under the Great Seal of Canada shall preside. R.S., c. 200, s. 2.
3. The Minister of Trade and Commerce shall be a member of the Queen's Privy Council for Canada, holds office during pleasure and has the management and direction of the Department of Trade and Commerce. R.S., c. 200, s. 3.
- 4-1 The Governor in Council may appoint an officer called the Deputy Minister of Trade and Commerce to be the deputy head of the Department and to hold office during pleasure.
- 2 Such other officers, clerks and employees, as are necessary for the proper conduct of the business of the Department may be appointed in the manner authorized by law, to hold office during pleasure. R.S., c.200, s. 4.
5. The duties and powers of the Minister of Trade and Commerce extend to the execution of laws enacted by the Parliament of Canada, and of orders of the Governor in Council, relating to such matters connected with trade and commerce generally as are not by law assigned to any other department of the Government of Canada, as well as to the direction of all public bodies, officers and servants employed in the execution of such laws and orders. R.S., c.200, s 5.
6. The administration and execution of the Canada Grain Act shall be under the management and direction of the Minister of Trade and Commerce. R.S., c. 200, s. 6.
7. The Minister of Trade and Commerce shall make to the Governor General an annual report of the proceedings of the Department which shall be submitted to both Houses within the first twenty-one days of each session of Parliament. R.S., c. 200, s. 7.

DEPARTMENT OF INDUSTRY,
TRADE AND COMMERCE

- 13-1 There shall be a department of the Government of Canada called the Department of Industry, Trade and Commerce, over which the Minister of Industry, Trade and Commerce appointed by commission under the Great Seal of Canada shall preside.
- 2 The Minister of Industry, Trade and Commerce holds office during pleasure and has the management and direction of the Department of Industry, Trade and Commerce.
14. The Governor in Council may appoint an officer called the Deputy Minister of Industry, Trade and Commerce to be the deputy head of the Department of Industry, Trade and Commerce and to hold office during pleasure.
15. The duties, powers and functions of the Minister of Industry, Trade and Commerce extend to and include all matters over which the Parliament of Canada has jurisdiction, not by law assigned to any other department, branch or agency of the Government of Canada, relating to:
- a) manufacturing and processing industries in Canada;
 - b) tourism; and
 - c) trade and commerce generally.
16. The Minister of Industry, Trade and Commerce shall:
- a) promote the establishment, growth and efficiency of manufacturing, processing and tourist industries in Canada, contribute to the sound development and productivity of Canadian industry generally and foster the expansion of Canadian trade;
 - b) develop and carry out such programs and projects as may be appropriate to:
 - assist manufacturing and processing industries to adapt to changes in technology and to changing conditions in domestic and export markets,
 - assist manufacturing and processing industries to develop their unrealized potential, to rationalize and restructure their productive facilities and corporate organizations and to cope with exceptional problems of adjustment, and

- promote and assist product and process development and increased productivity, the greater use of research, the application of advanced technology and modern management techniques, the modernization of equipment, the utilization of improved industrial design and the development and application of sound industrial standards in Canada and in world trade:
 - c) improve the access of Canadian produce, products and services into external markets through trade negotiations and the promotion of trade relations with other countries and contribute to the improvement of world trading conditions;
 - d) promote the optimum development of Canadian export sales of all produce, products and services;
 - e) provide support services for industrial and trade development, including information, import analysis and traffic services;
 - f) analyze the implications for Canadian industry, trade and commerce and for tourism of government policies related thereto in order to contribute to the formulation and review of those policies;
 - g) compile and keep up to date detailed information in respect of manufacturing and processing industries in Canada and of trends and developments in Canada and abroad relating to Canadian industrial development and trade; and
 - h) promote the optimum development of income from tourism and compile and keep up to date detailed information in respect of the tourist industry and of trends and developments in Canada and abroad relating to tourism.
17. The Minister of Industry, Trade and Commerce, in exercising his powers and carrying out his duties and functions under this Part,
- a) shall, where appropriate, make use of the services and facilities of other departments, branches or agencies of the Government of Canada;
 - b) may, with the approval of the Governor in Council, enter into agreements with the government of any province or any agency thereof respecting the carrying out of programs for which the Minister is responsible; and
 - c) may consult with, and organize conferences of, representatives of industry and labour, provincial and municipal authorities and other interested persons.

18. The Governor in Council may establish advisory and other committees to advise or assist the Minister of Industry, Trade and Commerce or to perform such duties and exercise such powers as the Governor in Council may specify, and may fix the remuneration and expenses to be paid to the members of the committees so established.
19. The Minister of Industry, Trade and Commerce shall, on or before the 31st day of January next following the end of each fiscal year or, if Parliament is not then sitting, on any of the first five days next thereafter that Parliament is sitting, submit to Parliament a report showing the operations of the Department of Industry, Trade and Commerce for that fiscal year.

APPENDIX 'B'

POST AND DEPARTMENTAL BUDGETARY CYCLE

ACTIVITIES

1. Cycle starts November 15th.		14 - 1
- 3. PPBS Report Manual sent to posts.		1
- 2. Post Education.		15 - 1
- 4. Post completes and submits Report #1.		15 - 1
4. December 30th.	10. May 15th.	1
- 5. Additional costing by T.C.S. Finance	10 - 12. Treasury Board considers departmental program.	18 - 2
- 6. O.E.T.S. data compiled for First Department Program Forecast meeting.	12. August 1st.	20 - 2
- 8. Departmental priorities established.	12 - 13. Treasury Board budget level allocated by post.	17 - 1
- 7. O.E.T.S. establishment review.	13. August 15th.	19 - 2
- 9. Departmental Budgetary Discussions.	13 - 14. Posts informed of budget level.	20 - 2
-10. Departmental Program Forecast completed.		

APPENDIX 'C'T.C.S. Headquarters Conference - North Conference RoomToronto, May 12, 13 and 14, 1967

The purpose of the conference is to examine some of the basic areas of concern to the Trade Commissioner Service.

The objective of the conference is to:

- a) Review present procedures;
- b) Identify activities requiring improvements;
- c) Recommend changes, or assign responsibility for the development of background papers on the basis of which changes can be recommended.

The participants will be T.C.S. headquarters personnel plus Messrs. M. Rowan, I. Smyth and P. Theberge who are joining T.C.S. headquarters and Messrs. C. Van Tighem, H. Horne, J. Stiles and J. Stone who can contribute a field point-of-view to the discussions.

The location of the conference will be the Westbury Hotel, Toronto.

The sessions will begin Friday evening at 8:00 p.m. and be continued on Saturday (9:00 - 12:00 p.m. and 2:00 - 5:00 p.m.).

T.C.S. HEADQUARTERS CONFERENCEToronto, May 12, 13 and 14, 1967FRIDAY, MAY 12th

8:00 - 10:00 p.m.

A.T.C. Training

- (i) objectives
- (ii) previous experience and programs
- (iii) current plans
- (iv) future plans and ideas.

SATURDAY, MAY 13th

9:00 - 11:00 a.m.

T.C.S. Headquarters

- (i) organization
- (ii) functions and responsibilities
- (iii) staffing
- (iv) operation and planning.

11:00 - 12:30

Liaison and Inspection Visits to Posts

- (i) past experience
- (ii) proposals and obligations
- (iii) participation and inclusion of other departments and agencies.

2:00 - 5:00 p.m.

F.S.O. Recruiting and Promotion

- (i) at F.S.O. 1 level
- (ii) lateral entry _____ permanent
_____ temporary
- (iii) projected requirements
- (iv) agricultural specialists.

October 18 - 20, 1968

T.C.S. HEADQUARTERS CONFERENCE

Notre Dame de Salette, Quebec

1. The T.C.S. in the new Department
 - its philosophy,
 - its style,
 - its role.
2. The role of the General Director
 - his relationship to the Department,
 - his relationship to T.C.S. headquarters staff,
 - his relationship to posts abroad.
3. The management apparatus
 - its style,
 - its organization.
4. Organizational Prerogatives, Interfaces and Conflicts
 - operations,
 - personnel,
 - finance.