

IPAC Case Study Program

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The IPAC/CSPS Case Series

Industry Canada and Automotive Restructuring

Prepared and Edited by Andrew Graham

Note on the Series: This case study has been developed as part of an “organizational learning” case study series through the IPAC Case Study program. The cases from this series are prepared in conjunction with partners across a variety of governments, with a strong focus on the many activities of the federal government. We thank all those departments and ministries that have agreed to share their insights and experiences for the benefit of others. Each case will consist of the case itself and a short teaching note with ideas for uses and themes that the case suggests. Within the body of the case will be a series of lessons learned, based on the observations of those interviewed, written material and the insights of the case author and editor.

All cases are prepared by a researcher/writer and then edited. The research is based on published material and interviews with those who had been involved with the case. All interviews are treated as confidential and all quotations arising from them are not attributed to an identified individual.

Abstract

This case shows how an organization, in the face of a compelling policy imperative, huge time constraints and a crowded field of players, was able to deliver on the government’s direction. Using a matrix approach, the organization was able to mobilize players within governments and the private sector to take action. In short order, governance was established and adjusted as the issue unfolded. Needed external resources were secured and integrated into the project. Keys to success were the capacity to operationalize working networks, quickly gear up project management and control and work across jurisdictions and sectors without creating resistance. The principal lessons learned focus on the role of governance as a key part of project response, the readiness to find and use the right resources (even if not within the Department), managing within compressed and pressurized time frames, relationship-building on the run and the need for communication loops in fast-moving situations.

A Force 4 Gale

The crisis was about as global as you could get. The stakes were high. Time was compressed. The challenge crossed jurisdictions at home in Canada and went viral around the world. This was the automotive crisis of 2008-2009. A sub-set of the global meltdown, this one struck at Canada’s industrial heartland – its automotive industry. A major crisis confronted the government. A response was needed. As one official who had recently arrived in Industry Canada said, “It was like a wall had hit you.”

This case study is about how Industry Canada rose to the challenge of putting together a rescue package that was announced in 2009 for both General Motors and Chrysler. The focus of the case is how one Branch – the Automotive and Transportation Industries Branch (ATIB) – was able to create a response team that integrated the efforts of the Governments of Canada and Ontario and worked closely and in parallel with the Government of the United States to address the crisis that was playing out in both countries. The response involved growing the Branch rapidly, importing skills and knowledge specifically needed for this complex task and effecting an integrated response to serve the government’s needs for sound analytics as well as global

connectivity with partner governments, unions, major financial institutions and the auto industry.

The Context

The automotive industry is a huge part of Ontario's industrial heartland. It was greatly affected by a global turndown in car sales in the years running up to the recession. Sales of new vehicles in the United States – to which the Canadian manufacturers are closely integrated – dropped in 2008 from an average of 15 million to between 9 and 11 million through 2009. The dramatic decline in demand caught the major manufacturers off-guard. The decline in sales in Canada was not as steep, but the percentage decline was still in the high teens during the same period. More importantly, this crisis exposed the underlying weaknesses in the North American auto industry, problems of competitiveness and profitability that had plagued the industry for years. It was well understood that there was significant overcapacity in the industry. Further, product quality was not matching off-shore competition.

What Were the Risks?

Effective response was essential. So too was the right timing. Some of the risks faced during the effort were:

- Loss of Canadian share of the automotive industry, thereby accelerating a job- loss spiral already under way;
- Confusion and delay among the Canadian players that would remove effective control to the United States;
- Loss of synergy with the American response;
- Complexity and time: this situation demanded that various forms of expertise be quickly brought together to meet the government's direction and refine it into action – financial expertise (both within government and the private sector), legal advisors, industry expertise, communications expertise and diplomatic resources;
- Policy complexity: the governments on both sides did not want to see the industrial giants go down, nor did they want the status quo to persist; and
- The number of high-level stakeholders: this included the U.S. and Ontario governments, the auto manufacturers, the rest of the auto industry, the unions on both sides of the border and the financial community.

Policy Direction Set, But a Winding Path to Get There

Both Canadian governments knew that they would have to act quickly to prevent the collapse of this key economic engine. They realized the importance of building a more sustainable foundation almost from the outset of the initiative and avoiding a piecemeal approach, given the numerous supports that had already been put into place. Staying connected and moving in concert with the American response was also important to protect Canadian interests.

Cooperation is never assured, especially between federal and provincial governments. Further, the focused white heat of media attention would look for any division, disagreement or failure to move quickly in what was generally seen as a major economic crisis for the country.

That being said, the exact details of arrangements like this require intense negotiations among the stakeholders. Therefore, the management of the process of negotiations and the establishment of effective working arrangements among the players is essential.

Organizing to Respond

Key to handling the Government's response to the automotive crisis was assembling the right personnel to manage the job. The complexity of the problems faced by the firms and the difficulties inherent in managing the government's response required new approaches to file management. While the Automotive and Transportation Industries Branch (ATIB) had a long-standing role in liaising with and understanding the automotive industry, this expertise needed to be expanded to include more specialists in financial due diligence, restructuring law, and corporate pensions and benefits. This included retaining strong advisors in a tight time frame, as well as leveraging networks to staff the response team efficiently yet appropriately. The creation of the Government of Canada's Auto Response Team (and the management of this team) was, on its own, an innovative approach to file management leveraging networks to bring together the talent necessary to advise on a complex response to an industry in crisis. Equally innovative and important and at the heart of this year's theme of Collaboration at Work was the cooperation between the Government of Canada, the Government of Ontario, the United States Treasury, as well as the management of General Motors, Chrysler, and the Canadian Auto Workers.

The approach of the auto response team was more than a single management innovation. The team launched a series of improvisations and innovations designed to respond to a set of rapidly changing circumstances.

Using Matrix Management and How People Respond

Within the Automotive and Transportation Industries Branch, the crisis necessitated the adoption of a matrix management structure, thereby providing the human resources flexibility to respond appropriately. While the other business of the Branch had to continue, managing the response to the crisis necessitated "all hands on deck." Thus, directors and the director general needed to be able to effectively parse the work and pull in staff as needed. While it may seem intuitive that moving forward on deals of this magnitude would necessitate revised reporting structures, this would underestimate the normal path dependency of bureaucracy.

The matrix management system within ATIB broke apart these structures while enabling close collaboration between senior officials. The system also ensured that there was sufficient people power and the right skill sets to progress on the analysis, negotiations, and ultimately the agreement for government to provide funds to the sector.

Directors not only managed their usual responsibilities, but were also charged with leading teams, often taken from across the Branch. Over this period, staff had multiple bosses. This was a challenge for some staff members who said this was outside their position description. In these situations, organizations need people who are comfortable dealing with multiple tasks and reporting relationships. Some people have difficulties in these situations and should not be punished. As one official noted, "People were stretched and pushed outside their box. Most liked it. Some had issues." In general, there was enough to do and enough resources available that this was not a problem. In fact, staff focused on non-crisis files proved to be a valuable asset in keeping those files going, albeit at a deep back-burner level of attention. The Director

General made a point several times in Branch briefings of singling out those people and thanking them for steadying the ship.

The auto response team went beyond ATIB by including important players such as officials from the Department of Finance, Export Development Canada, the Department of Justice, as well as contracted accounting and legal firms. Managing this broader team necessitated advanced coordination among departments, including a Deputy-led steering committee. The near-daily Car Council meetings brought together the key players and ensured consistent and strong messaging, clear delineation of responsibilities, and efficient parceling of work. This novel approach to file management active and clear coordination based not on departmental affiliation but on expertise and capacity would ensure that the auto response team managed work effectively and put forward the most solid and complete advice and analysis possible.

There was a noticeable dropping of hierarchical rules for communication in order to get information moving and to ensure that staff and senior managers had the information and guidance they needed. Staff members found themselves in meetings normally out of their preserve. As one official noted, “All of sudden they were in the Deputy’s Office.” These are good experiences for staff.

The Knowledge Ramp-Up

The normal size of the Branch was around 20 staff. Its primary focus was the automotive industry. When the crisis hit, the leadership quickly realized that it did not have all the skills and expertise it would need to understand, let alone formulate, policy recommendations on the financial intricacies of a potential bail-out. A newly arrived Director was given primary responsibility for assembling a working team. In the fine tradition of such events, she proceeded to beg, borrow, second, and call in favours. People with the requisite skills were readily freed up. However, this took senior management calling senior management – an absolute requirement in these circumstances. Almost in parallel and even in the midst of the daily meetings, anxious moments and briefings, efforts began to create temporary positions that ensured that those arriving had a position and a home, even if only on an acting basis. No one knew how long this was going to last and what, in the end, the responsibilities of the Branch would be once the policies were put in place.

The Branch used its networks within government to find the right people. After that, the informal requests started.

The Tiger Team

One of the first actions was to find a way to gather as much information as possible. It was clear that the complexity of this situation needed to be appreciated and a means found to gather and integrate information. The greatest danger, as evident in other countries, was approaching the crisis from either only a financing or industrial policy perspective, when it was both. The Branch created its first **Tiger Team**. This was an interdisciplinary team of staff from across government who could reach out and gather information in a number of ways:

- From other countries: this was a global crisis and so knowing what was under consideration in South Africa or Japan, let alone the United States, was relevant: this quickly created hard wired connections for further soundings;

- From the provinces: most notably, the Ontario situation and position was critical: this was a strong partnership;
- From the various industrial sectors, contact and information gathering within Canada was essential: unions, the auto makers, the all-important parts industry, Canadian financial institutions, etc.;
- From within government: this crisis had broad implications and information had to be rapidly assembled.

The Tiger Team focused on intelligence-gathering. This was important as the policy response was being formulated. As one official rightly pointed out, “When they are considering options, Ministers like to know what others are considering and how one option might land with key players. This information gave us the contextual depth we needed to advise the Minister of that sort of thing.”

The other effect of the Tiger Team was to put Canada out there. By initiating informal and informational – rather than policy announcement or negotiation-based – contact, the Tiger Team put Canada ahead of most countries in terms of visibility. It also enabled a level of information integration that served the government well in the process.

The Tiger Team also ensured that Canada was able to enter into bilateral discussions, most notably with the United States, with a great deal more information than its counterpart. Further, that information was integrated, not simply focused on financial arrangements, but also on the auto industry and its impact.

Home and Away Teams

A further dimension of management innovation was necessitated when negotiations between the governments and auto firms began. With negotiations running for days at a time in Washington (Chrysler) and New York (General Motors) respectively, work needed to proceed in two critical tracks. One track involved working with the U.S. Treasury and the auto firms on the actual structure of the deal, including the covenants and financial instruments. The other track involved the Cabinet approvals process and interdepartmental communications.

These two tracks needed to be closely coordinated, yet were demanding enough that they required separate teams. To ensure the effective completion of both tracks, the Government of Canada established a “home” and an “away” team for the purposes of the two deals. The “away” negotiated in Washington and New York, while the “home” team remained in Ottawa to coordinate federal departments and ensure the administrative tasks of the negotiations were completed. This approach effectively allowed the government to be in two places at once, while the collaboration between the teams ensured stronger analysis and that the most-up-to-date information could be provided to ministers.

The dynamics and interplay between the two teams is worth noting. The ADM brought the two teams together a number of times, either through direct meetings or conference calls. While they had a high level of working interaction, these meetings enabled them to swap more informal details or lend context to events. Such “functional gossip” is an important element in dynamic team situations.

Potentially the strongest aspect of collaboration was the close relationships formed between governments, as well as among governments and stakeholders. Working collaboratively was crucial to the successful completion of these deals. While the U.S. Treasury personnel were largely new, the governments of Canada and Ontario worked hard to build relationships at all levels to share information, coordinate analysis, and ensure consistency when dealing with the firms and unions. This ability to “speak with one voice” enhanced credibility, and drew on the respective strengths of all parties. It is fair to say that the close collaboration between the Government of Ontario and the Government of Canada, as well as between these two governments and the U.S. Treasury was unprecedented. Yet, governments also formed close and strong relationships with the firms and unions. To conclude these deals, sacrifices were required from all parties. The strong relationships built across normal territorial divisions grew trust and enabled the collaboration required for all parties to feel comfortable making these sacrifices.

The results of these management innovations are most obviously the two finalized restructuring agreements one for General Motors, and one for Chrysler. These deals, and the many component parts within them, provided much-needed capital to these two auto firms, as well as the opportunity to restructure and move towards long-term sustainability. Moreover, the deals prevented a Companies' Creditors Arrangement Act (CCAA) filing in Canada, and preserved hundreds of thousands of jobs both at GM and Chrysler, and across the supply chain. It was, in large part, the innovative management approaches taken by governments that led to this outcome. The results of these approaches are also being felt in the continued close collaboration between the Government of Ontario and the Government of Canada, as well as in the close working relationships between Industry Canada and other Government departments as parties move towards monitoring and governance of the related agreements. The types of innovations that were pursued do not lend themselves to standard cost-benefit analyses. However, it is clear that the collaborative work of Governments and the auto firms reduced duplication and unnecessary bureaucracy. Moreover, the benefits produced by the collaborative work from governments (such as the continued survival of the Canadian automotive sector) are considerable and laudable, given that these decisions were made during fragile economic times.

These management approaches have set the course for a positive longer-term outlook. The work of the auto response team highlighted the capacity of government to respond to industrial crises when necessary, and to do so in a way that is rooted in fact and solid analysis, and carried out through honest and close relationships. The outlook for the automotive sector is also strong, as both companies have emerged from U.S. bankruptcy, ramped up production, and begun the product planning that will lead them to a competitive future.

The innovative approach taken by the formation of the auto response team has a number of critical lessons for other public sector organizations, notably the importance of nimbleness (despite the institutional forces pushing against it), of allowing all resources to be deployed effectively to manage crisis, and of building cross-cutting relationships (outside of the normal chain-of-command approach) that can facilitate trust and ensure the coordination and collaboration that is necessary to manage complexity, notably under duress.

Following the Rule – Fast

Both staffing actions and contracting played a role in this case. In some instances, staff secondments were urgently needed. In both cases, the senior HR and Contracting managers were brought into the process quickly. They needed to understand the context of what was

needed and the organizational importance of moving quickly. For instance, there was a need for external expertise in financing arrangements as well as a need for the government to have access to experts in the auto industry who could provide the Minister with independent advice. In both instances, contractual arrangements were made quickly and within the rules. This would not have happened without the up-front engagement of the senior functional managers within the department.

It Never Really Ended

This situation, at one point a crisis, created a new normal for the Branch. As such, the auto crisis itself and the overall approach never really ended on a specific day. Rather, as the agreements and follow-up have evolved, a new set of responsibilities have emerged. Reducing the staff size and returning people to other posts has been an evolutionary process, and as such, there was no formal termination. While the Department did a great deal to celebrate the efforts of its employees, it never formally reviewed how it managed the process. However, it did nominate the team for awards (an IPAC Leadership award, for instance), an important way to reflecting excellent performance. Stock-taking is left to case studies such as this one.

Once the 'High' is Over

As with most crisis environments, once the crisis is over – or takes on a new normalcy – things become dull. Adrenaline flows at a normal pace. This can have a number of impacts on the organization, some of which were noted at the Branch. For one, some of the newly recruited staff, brought in at a time of high excitement and given fast-paced deadlines and access to senior people, found themselves in positions that might still be fulfilling and important, but the buzz was gone. Retaining these people, especially those who thrive on this type of excitement, was a challenge and would be for any organization. Some have left and this was expected.

Lessons Learned

No two situations are alike. However, in compressed cases like this, there is a lot to learn and reflect upon should the challenge re-emerge in another environment. For, in spite of the uniqueness of the auto-industry crisis, some characteristics do appear again and again in public management:

1. The sense of urgency is visceral – one need not look far for Kotter's burning bridge;
2. Timelines and deadlines are compressed and changeable;
3. There are many actors involved;
4. New elements of the challenge mean you need different skills – quickly;
5. Process rules, while usually the least of most people's concerns, actually are seriously needed;
6. Careers and reputations are at stake;
7. Decision-making timeframes are compressed.

Lesson: Find Out What is Going On: The greatest danger in a crisis-type response is to close the flow of information both in and out of the process. Governments and Ministers in particular, are very well served when the organization actually increases its information gathering and integration. Without belabouring the now common phraseology "Do you know what you don't

know,” intelligence and analytics tools needed in a crisis may be different than those used in normal circumstances. Further, organizations need an appreciation of all elements of the crisis, even if some lie beyond the normal purview of the organization’s mandate.

Lesson: Governance Counts, Especially in a Matrixes Situation: It is never enough in projects such as this to say that we all communicated and got along. Setting up communication and decision-making protocols involved respecting the independence of many of the players, but ensuring that everyone understood who needed what, how information flowed and how decisions were made. This helped to get the process moving and also ensured that all the players, especially the increasing numbers of new recruits, were able to contribute quickly and add value to the process.

Lesson: Command and Control Does Not Work, but Someone Has to Be in Control and in Command: This is a corollary of the lesson above, but worth stating as we often confuse matrix functionality and teamwork with vague notions of democratic unstructured flow. In fact, the decision points and the decision makers must be clearly delineated. Further, you cannot tamper with the jurisdictional and organizational prerogatives of decision-makers. They have to be integrated into the matrix approach and not ignored. This applies across jurisdictions and to Ministers in particular.

Lesson: Matrix Management Structures Really Work, as Long as You Work Them: In this case, the matrix approach evolved over the course of the project. The approach was complex and engaged many players, both within the Branch and across governments and the private sector. Roles were exchanged and the expertise acquired provided needed leadership. However, the matrix approach also worked because there was enough structure to ensure timely decision-making. Also key was that the heavy lifting parts of collaboration were well-supported: communication and feedback loops to make sure everyone was involved. Note too that there was a distance element to this case: the home and away team concept was a good way to apply matrix thinking, but also ensure some stability in the process.

Lesson: Don’t Leave the Rest Behind: Crisis situations or major policy drives can create real divisions within the organization because people and files not touched by the crisis can be overlooked. Some people either intentionally resist getting involved or have no role to play in the crisis. At the end of such events, these people need to be brought into what might be a new normal and new roles such as giving secondary support or holding the fort on ongoing files or duties should be recognized.

Lesson: Do Not be Afraid to Ask for Help: Very quickly you realize in a crisis situation that you may not have all the resources and skills you need. In addition, you may need extraordinary help, most notably from you staff support functions. They have to know and understand the situation before they can help. All complex functional rules systems can accommodate urgency, if the collective will is there. Getting that going means a quick call and request for help.

Lesson: Get Outside Advisors on Board: Modeling crisis management needs to involve finding external advice to prevent the development of groupthink or loss of perspective on the part of the crisis management group. In the public policy context, it also provides Ministers with additional viewpoints to help inform their decision-making.

The IPAC/CSPS Case Series

Industry Canada and Automotive Restructuring Teaching Note

Prepared and Edited by Andrew Graham

Teaching notes are intended to suggest possible uses and themes associated with the case. They are suggestive only, not definitive. The teaching use of these cases can be realized in several ways:

- Discussion in groups with directed topics to be covered. Some of these are outlined below.
- General case discussion in open class – small groups or one group – led by the instructor to draw out themes, including judgments on the appropriate actions, responding to the “what would you have done” question, qualitative commentary on the claimed and supposed outcomes.
- Background and the foundation for a presentation from one of the actors in the case.
- Simulation exercises based on the facts as presented. This, of course, requires additional design work by the instructor.
- Deeper assignments requiring students to go into more research either on the theoretical topics to be explored or factual research into the actual case.

It is important to note the open nature of this teaching note. This list is short and suggestive, as already stated. It is also open to additions as other review the material and as the case is used. It is always interesting to see how cases take on a life of their own in use, often leading the insights in directions never intended by the originating writer.

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Overview

This case provides excellent ideas around how to manage in a crisis environment that is also extremely complex with high political stakes. From a practical point of view, the lessons learned are quite specific, with some very good take aways. In a professional development atmosphere, groups could readily be led to apply the situation to risk analysis, leadership and horizontal management topics. As well, crisis management would be a good venue in which to use this case. From a more academic point of view, this case would work well in similar topic areas, most specifically:

- Organizing around a policy crisis,
- Horizontal management
- Complex policy development and implementation, and
- Rapid learning systems.

Practical Lessons and Topics

This case is rich in how to details and in communicating the dynamics of the management of hot button policy issues. It would not take much to get a discussion going on some many elements of the case that are not fully documented as they are generally public record. Some of the environmental issues that can be established in a class or group analysis of it are:

- The economics: what was a stake for Canada and for the world?
- The politics: what kinds of pressures and exigencies were the governments of Canada and Ontario facing?
- The global: what other countries were in play, what were there interests, limitations and orientations?
- The stakeholders: who were they and how did they exert pressure on the process?
- The bureaucracy: which parts of government had a going-in piece of the action, which parts needed to be brought in to make a full team.

These are but a few examples of how this case, with its high public visibility, can be set into a broader context for teaching purposes. Another would be to ask groups to do an initial risk analysis and then a risk analysis once the policy was set in place to support the auto industry.

There are many examples of novel approaches to linking disparate elements within the government to achieve a successful horizontal management approach. These can be explored and evaluated.

The case also can be used to analyze intelligence gathering and intelligence communications issues. This was an information rich policy issue. It was complex. Facts and rumours flew continually. More importantly, many of the players had only a piece of the knowledge puzzle when it came to complex issues such as bail-out financing, international transaction, collective bargaining, pensions – a wide range. Groups can be

challenged to come up with even more novel ways to maximize the knowledge integration requirements.

Some discussion points, in addition to the ones already detailed, are:

- Quick builds of response teams – how to do it, how to leverage existing human resource and procurement systems,
- Multiple stakeholder consultation and communication,
- Cross boundaries – effective international high risk policy co-ordination,
- Building political confidence in policy advice and actions.

Theoretical and Academic Themes

The case focuses on the organization of a government, led primarily from Industry Canada, around a major policy crisis. It does not spend a lot of effort on the policy issue itself. The policy decided upon by Canada and the United States and its outcome are certainly contestable issues. However, that is for another case. As such, the case presents some rather unique opportunities for application in an academic teaching environment. Three such themes are:

- Organizing a policy response in a crisis that transcends boundaries,
- Horizontal management, and
- Rapid learning: how governments acquire and integrate knowledge under pressure and with urgency.

Organizing a Policy Response in a Crisis that Transcends Boundaries

The number of policy issues that transcend boundaries is growing – economics, food, terror, emergency response being just a few. What these issues do is alter the traditional notion of national or even regional policies formulated within the confines of that jurisdiction. They also mean that policy responses have to have a robust framework of how policies that can be effective in this interconnected environment would look. From a teaching point of view this case has many elements of the emerging paradigm:

- Both continental and global in scope,
- A complex mashing up of traditional policy fields such as financial services, economics, subsidization, competitiveness, the role of government in supporting weakened economic sectors, regional economic policy.
- A large number of national players working within the realities of their regional alignments,
- The need to co-ordinate and harmonize policy responses to reduce disparity, and
- The high degree of connectedness of potential impacts.

An important element of looking at this case is the potential for what is called policy contagion. The decisions made within the parameters of this case had the high potential to affect how governments might support or not other industries confronting the financial crisis.

This case also needs to be set into the context of how the economic crisis as a whole evolved. The process for coping with the crisis by countries across the globe seems to have fallen into four basic phases:

- Limiting the contagion and restoring confidence in the system. This has required extraordinary measures both in scope, cost, and extent of government reach.
- Coping with the secondary effects of the crisis, particularly the global recession and flight of capital from countries in emerging markets and elsewhere that have been affected by the crisis.
- Making changes in the financial system to reduce risk and prevent future crises, and
- Dealing with political, social, and security effects of the financial turmoil.¹

This case can be analyzed within that framework very nicely and to good effect. Within this framework, the case can be used to stimulate a discussion on the appropriate role of the state in intervening in what are essentially private sector economic concerns. The case does not provide much information about any deliberations within this context. This would require some significant intervention from the instructor to leverage such a discussion using this resource. In this instance, we saw the initiation of a virtual state ownership, albeit an proclaimed – and ultimately executed – temporary one. While state ownership of enterprises may provide relief to the company in the short term, it also raises questions of equity (government favoring one company over another) and the use of scarce government resources in oversight and management of companies.

Potential Readings

Gus Koehler, *Time, Complex Systems, and Public Policy: A Theoretical Foundation for Adaptive Policy Making*, Nonlinear Dynamics, Psychology, and Life Sciences, January 2003, pg. 99-114: an interesting and oddly prescient analysis related to this case.

Spector, Michael, Qudrat-Ullah, Hassan, Devidsen, Paal, *Complex Decision Making: Theory and Practice*, 2007

Horizontal Management

It could be argued that this is a case that goes well beyond traditional concepts of horizontal management if it is defined as units of a department or departments of a government working together. In fact, the challenge faced by the Industry Canada team was to manage within a complex environment that involved a working partnership with the Ontario government, continuous alignment and co-ordination with elements of the United States Government, a variety of private firms as well as other countries and international institutions. Within Canada, there had to be a full working relationship with the countries leading financial institutions, major holders of investment in pension funds as well as institutional sources of funds, such as the Export Development Bank. This incomplete list of players that had to be coordinated either fully or in part from time to time and, at times, continuously, shows what a complex set of relationships among equals, if that term fits into this situation. Therefore, it is an excellent case for the study of concepts of horizontal management and the dynamic that this puts into play in its management. This case is really

¹Dick K. Nanto, *The Global Financial Crisis: Analysis and Policy Implications*
October 2, 2009, Congressional Research Service

a demonstration of the new horizontality: horizontal management is more than what it used to be.

Potential Readings

Evert Lindquist, *Strategy, Capacity and Horizontal Governance: Perspective from Australia and Canada*, Optimum Online, vol. 34, 4, Dec. 2004

Jeffrey Roy *Beyond Westminster governance: Bringing politics and public service into the networked era*, *Canadian Public Administration*, Vol. 51, pp. 541-568. 2008

Rapid Learning: How Governments Acquire and Integrate Knowledge under Pressure and with Urgency

There are many elements of this case that point to the need for public sector organizations to often assemble new information, at times from non-traditional and certain non-path dependent sources, acquire new expertise in interpreting it and synthesis it for the purposes of policy decision-making. This case offers an excellent example of that process. New expertise had to be brought in. Industry Canada had to quickly establish contact with information sources through its Tiger Team. To a certain extent, it also had, in conjunction with its governmental partners within the federal government and well beyond, explore some new unknowns and be ready to search for more. To that end it established some external advisor connections to challenge their operating assumptions. The difference between highly reliable organizations and other organizations in managing the unexpected often occurs in the earliest stages, when the unexpected may give off only weak signals of trouble. The overwhelming tendency is to respond to weak signals with a weak response. Mindfulness preserves the capability to see the significant meaning of weak signals and to give strong responses to weak signals. This counterintuitive act holds the key to managing the unexpected. It would be interesting to explore this case in that context.

The literature in this area is legion and can lead in many directions. The work of Karl Weick on organizational mindfulness and making sense of complexity would find material in this case and provide an excellent backdrop for a discussion of how organizations gear up to learn and manage complex information flows. Further, his work on managing the unexpected and how to develop highly reliable organizations fits well into this case.

Another context in which this case offers insights is that of building and applying networks as learning systems. In the policy literature, networks have been frequently identified as being important ways in which policy formulation takes place. This case shows that networks had to be either leveraged to a higher level of performance or created in order to fully serve the government's need for full information and also for problem-solving capacity with new players such as other governments (domestic and international), other institutions and non-governmental players such as the auto firms.

An emerging concept with which this case fits is that of liquid networks. This stems from the work of Steven Johnson on how ideas and innovation come to be. His central thesis is that it is not the one, big bang, ah ha moment, but rather the building of small ideas together

among groups that eventually lead to a breakthrough. This case is relevant in the way in which Industry Canada created and recreated what might be seen as liquid networks to meet the complex needs of this policy exigency.

Potential Readings

Karl Weick and Kathleen M. Sutcliffe, *Managing the Unexpected*, 2007, Jossey-Bass

Steven Johnson, *Where Good Ideas Come From*, 2010, Penguin Group

Comments

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