

14th Gordon Arthur Ransome Oration: Continuity and Change

A Chan*

Deputy Prime Minister Lee Hsien Loong, Datuk Dr Yeoh Poh Hong, Dr Chee Yam Cheng, distinguished guests, ladies and gentlemen, I am deeply honoured to be invited to deliver the 14th Gordon Arthur Ransome Oration, following in the footsteps of previous illustrious speakers. I am particularly honoured that you have chosen a career civil servant from Hong Kong. My only claim to your noble profession is that I grew up surrounded by doctors in the family, whose personal qualities and conscientious practice of their different disciplines have had such a profound effect on my sanity, spiritual and physical well-being.

What We Have in Common

When I thought about my speech to you today, I was struck by what we share in common as medics and civil servants:

- We belong to professions that are committed to serving the community;
- We seek to meet rising expectations;
- We operate in the public gaze, where people are often quick to blame;
- We rely on public confidence in our integrity;
- We face rapid change—but here I reflect somewhat ruefully on Mahatma Gandhi's remark that "there is more to life than to make it go faster";
- We are committed to developing our professions and those who follow us—a point very important to Professor Ransome.

The Topic for my Speech

Given our common ground, I decided to talk to you about the challenges facing my profession and how we are tackling them in Hong Kong.

Choosing a title for my talk posed its own challenges. I wanted to reflect both the importance of retaining the civil service's core values and the need for a step jump in performance to cope with the tasks ahead.

Extreme views are sometimes expressed about civil servants. Some present a romantic, rose-tinted, view of civil servants selflessly pursuing a labour of love. This involves much talk of unsung heroes and heroines. Whilst I believe that there are core public service values, service values are not the exclusive property of the civil service. It would be wrong, therefore, to talk in terms of a 'special calling'. All the more so

in a medical forum, as neither my talk nor I are deserving of the title "Another lady, another lamp".

At the other extreme, some see civil servants as bloated bureaucrats, grown fat from the job security of the 'iron rice bowl'. This conjures an image of the civil service needing a kick up the backside. This led me to consider, albeit briefly, borrowing the title of one of Professor Ransome's early articles—the 'Great Toe Jerk'!

I settled instead for the more informative title of "Continuity and Change".

Hong Kong's Successful Return to China

But first you would expect a few comments from me on Hong Kong's return to China. If we think we are in tough professions, what about those who predict the future? I include everyone from the fortune-tellers in our temples, to the political commentators in our media and the financial analysts in our stock exchanges. There is certainly a world with very public success and failure, although often with rather less accountability than you and I enjoy.

As the world watched the Handover ceremonies last year, there were many predictions of what would happen. The doomsayers were predicting the worst. Hong Kong as we know it would disappear; or at least be swallowed up by the Mainland—the pearl of the orient losing its shine forever. Political analysts competed to paint the gloomiest picture of Hong Kong's steady decline to become a rather dowdy relative to the emerging new cities in China. Others believed that Hong Kong would be taken over by PLA troops.

Of course some of us knew better. We knew that the years of hard work, and sometimes difficult negotiations, had laid a strong foundation for the transfer of sovereignty and for Hong Kong's future. We saw the underlying strength of the 'One Country Two Systems' solution proposed by the late Deng Xiaoping, with Hong Kong people running Hong Kong.

We have just celebrated the first anniversary of Hong Kong's return to China. Not for the first time has Hong Kong confounded its critics. We have done so in a manner and with a style that has surprised even some of our supporters and well-wishers. Hong Kong as ever works. One Country Two Systems is working. Hong Kong people are running Hong Kong.

Our style of government, institutions and way of life are

* *Chief Secretary for Administration*
Hong Kong Special Administrative Region Government
PR China

intact. We run a small, competent, clean administration. We govern with a light touch and continue to practise what Adam Smith preached. We believe in the invisible hand of the free market. We think business decisions should be taken by businessmen and women, not by bureaucrats. Government's responsibility is to provide the physical and legal infrastructure which enables enterprise to flourish, and maximises the opportunities for men and women to exercise their freedom to choose, and to make their own decisions.

The rule of law is fundamental to Hong Kong's success. According to the Economist magazine, the rule of law may well be Hong Kong society's defining ideology. The common law system continues to be administered by an efficient and honest government and tested by an independent and well-respected judiciary. All our rights and freedom remain intact. As a result of a very successful election on May 24, we now have a credible Legislative Council representing a broad spectrum of political opinion in Hong Kong to which the Administration is accountable.

The hard work to prepare for the Handover, and Hong Kong people's determination to stand up for their rights and freedom, provided the basis for this successful transition. The Beijing leadership has made a very positive contribution, by scrupulously honouring its guarantees of a high degree of autonomy for Hong Kong.

Recent Difficulties

So Hong Kong people took the transition in their stride and, as ever, hit the ground running. Yet, as you are only too well aware, this has not given Hong Kong a trouble-free year. We have had more problems to deal with than we bargained for—the bird flu; red tides; a post-Handover drop in tourism; the fall-out from the Asian financial crisis which precipitated the unsuccessful attacks on the HK/US dollar link; and a sharp downturn in our economic growth.

Our attention has been firmly focused on what has happened to the Asian economy and the knock on effects this has had on Hong Kong. As an international trading economy, there is no way we could be immune to the turmoil in so many of our neighbouring countries.

These difficulties have led to huge media and public attention to economic matters. There are many stories about business failures, currency slides, rising unemployment and the personal consequences for many of our citizens. The political debates over the quality of government, current policies and decisions go on in parallel. The civil service attracts its share of attention in this debate. People may be critical of the civil service—not necessarily because our performance has dropped, but because they are unhappy. This may be unfair, but I am reminded that there is nothing fair or unfair under Heaven. People look to us to make a positive difference when anxiety is rising.

Complexity and Accelerating Pace of Change

This leads me nicely into the main substance of my talk

today. I want to talk firstly about the growing complexity of the civil service's task, and secondly about the role leaders must play in dealing with both continuity and change.

Given today's multi-national corporations, governments are not necessarily the biggest organisations, but they are amongst the most complex. They are accountable to the community, the taxpayer and the customer. Civil servants carry out a huge range of functions, many unglamorous, and some very difficult. They educate our children; treat our sick; police our streets; remove our rubbish; keep our traffic flowing; and clear our drains. The civil service reaches into every corner of community life.

The scale and growth of community need stretches us all. But in meeting this demand, we are conscious that some private sector tactics are not available to the civil service. We cannot turn away people because we are full, or because it is too costly to deal with their problems. We cannot ignore problems all together, and we cannot dismiss a generation of customers whilst we re-adjust our strategy. The public sector has found increasingly powerful ways to use market mechanisms to improve public services, but in the end we must remember that government cannot walk away from the needy.

Many of these dilemmas will be all too familiar to you in the medical world—not least because much of healthcare is within the public sector. For you, expectations rise continually, and medical possibilities grow with every new discovery. It is a sobering thought that this astonishing pace of change, which is quite different from anything that our professions have experienced before, will only accelerate in the years to come.

Implications for the Civil Service

Looking back, one can see the immense journey Hong Kong, and Asia in general, has travelled. Improvements have been dramatic over a relatively short time span. For instance, in Hong Kong in the early 70s we had 250,000 public housing flats. This has increased by a factor of three. The number of university graduates per year was 2000; it is now 15,000.

To be honest, I never dreamt of changes on this scale, nor that one day I would be head of a civil service with the level of responsibility that it now carries. The civil service I joined in 1962 comprised 50,000 civil servants compared with over 180,000 today.

I entered a world of tradition and stability. Administrative Officers decided what was good for Hong Kong and departmental officers executed their decisions. There was little public questioning and government was largely done to and for the people. The culture and approach of the civil service were handed down by example and by coaching from superiors, sometimes vigorous coaching. Our job was to make policies in the best interests of the community, and ensure they were put into practice. All in all, we didn't do a bad job.

Yet expectations of the civil service today are very different and rightly so. No one feels that the civil service is doing him or her a favour in meeting basic needs. It is taken for granted.

We are held more accountable to the Legislative Council, the media and the community at large. They challenge us continually, sometimes fairly, sometimes less fairly. But regardless, we have to respond. We must explain our thinking, our policies, our objectives and report on our performance. I believe leadership has a vital role here.

Core Values

The first responsibility of civil service leaders is to reinforce core values. Civil servants must balance the interests of the broader community, those in need, the employed, the unemployed and our business community. The civil service must retain its integrity. Its advice must be impartial and apolitical, taking account of broader community interests and drawing on experience of what is practical. This was a valuable legacy from the colonial civil service that we share with the civil services in Singapore and Malaysia. Professor Peter Hennessy summarised this very powerfully in his speech on ‘The Essence of Public Service’ last year:

“The key ethic of the public service—fearless advice resting on top class analysis, itself fashioned by evidence and reason—is not a marginal good, an optional extra. It is the crucial element in advanced and rational governance, a matter of practicalities as well as good government.”

Integrity has a particular significance for Hong Kong because of past difficulties with corruption. Our Independent Commission Against Corruption has been very successful in preventing the problem recurring. Yet impartiality goes beyond preventing corruption. The civil service provides a force for fairness in dealing with interest groups. It provides a long-term perspective on the shorter-term preoccupations of politicians and the media.

Preserving these core values requires confidence and strength of character. There are often expedient reasons for withholding unwelcome advice. But in the long term, the community suffers if government’s decisions are not based on an open, sometimes robust, exchange of views, having regard to the common good and forsaking narrow personal interests.

The vast majority of our staff are committed, competent people who want to do a good job, but who don’t expect to set the world alight. Success depends very much on our ability to value, motivate and retain these people. People will work for money, but will not give their best if money is their only reward. Inspiration, a clear direction and recognition of good service are vital. This is something we take seriously in Hong Kong:

“Our aim of serving the community includes fostering stability and prosperity, improving the quality of life, caring for those in need, protecting the rights and freedom of the individual, maintaining the rule of law and encouraging people to participate in their own affairs.”

We have used this aim to develop a framework of principles and values. We have communicated these widely to provide practical guidance and support for civil servants. This has helped to bring to life the importance of serving the community, and drawn together the efforts of all government departments.

One very visible example of this was the Serving the Community Carnival we held in December 1996. Government departments organised over 100 events to publicise their services to the community. The Week commenced with a carnival attended by all the policy secretaries across government, and over 15,000 of their colleagues, to emphasise the shared commitment to service.

The Need for a Step Jump in Performance

The second responsibility of leadership is to drive the search for improvement. Given the enormity of the challenges ahead, leaders need to achieve a “discontinuous change”, or step jump, in performance.

What do I mean by “discontinuous change”? Let me use a sporting analogy. Take the Olympic High Jump competition. From the start of this century to about 1920 athletes could clear 6’ to 6’6” using the scissor jump; then along came the Western Roll technique which raised standards from 6’6” to 7’ and endured until 1955. This was followed by the straddle which pushed records from 7’ to 7’6”. And in 1970 we saw the Fosbury Flop revolutionise techniques again, raising the bar from 7’6” to 8”.

Athletes could win through continuous improvement of each technique. But once there was “discontinuous change”—a step jump in performance—no athlete could hope to win using the old technique. They had to adopt the new one to have any chance at all. A discontinuous change occurred in the medical world when you moved from invasive investigative techniques to X-rays and MRI scans.

What then is the Hong Kong civil service’s discontinuous change? Following extensive consultation, our Chief Executive has set some very challenging objectives for the Government including:

- Building 85,000 flats a year, increasing home ownership, and reducing waiting time for public rental housing.
- Ensuring elderly people enjoy a sense of security, a sense of belonging, and a feeling of health and worthiness.
- Educating our young people to meet the needs of a technologically-advanced 21st Century.

These commitments represent a discontinuous change for government. We are moving from promising to spend money, to promising to achieve results. In other words, managing for results by results.

This will involve stating the 30 or 40 high-level policy outcomes we will deliver for the community. We will set and measure performance against targets; direct resources to key

priorities; and give clear responsibility for delivery across government.

For healthcare, this will mean focusing less on how much is spent or how many patients are treated, and more on reducing illness and suffering, and improving health. It will mean taking responsibility for the health of the community rather than just the needs of patients.

It will mean establishing which health services offer the maximum health gain. The resource allocation process will no longer reward he or she who shouts the loudest, but invest taxpayers' money where it will do the most good.

It will also mean working together beyond the traditional boundaries of healthcare with other professions. Patients don't care which profession or specialist is treating them. They want a seamless service and this will require changes in behaviour and culture.

The need for such changes in behaviour creates a conundrum for leaders in our professions. We have achieved our positions by being recognised by our fellow professionals. But now, as leaders, we have to encourage the next generation to judge and be judged on their ability to step beyond their professions. Hong Kong's shift to managing for results across government is proving a powerful driver of such behavioural change. It is encouraging teamwork and commitment to the real shared goal of delivering better public services.

Because we are tackling the big issues first, not getting lost in the detail, and because we are embracing the full breadth and depth of the public sector, we believe this will put us at the leading edge of public sector management.

Broader Civil Service Environment

But as leaders, we must also provide a broader environment and the institutional arrangements in which this approach can flourish. For too long we have lived with a paradox. We are civil servants but have not always supported good service. We have controlled when we should have empowered. We have criticised when we should have motivated, and ignored good performance when we should have celebrated it. We must be determined to change this, and change it soon, so that civil servants can give of their best because of the environment rather than in spite of it.

The fast changing needs of the community mean we cannot cope with a traditional centralised, controlling approach. We need to redefine the relationships between the centre and those delivering services. The centre must set strategy and provide the right enabling environment for people closer to the customer.

I see three elements to the enabling environment: financial flexibility; flexible human resource management; and effective management of knowledge.

Financial Flexibility

I will begin with financial flexibility. We all have our

versions of the guardian of the public purse—Finance Bureau or the Treasury whose whole existence is steeped in Biblical tradition—"In the beginning was the word and the word was, No". We all have stories to tell of the madness of public sector accounting. The reluctance to commit to expenditure early in the financial year for fear of overspending. The 'spring rush' to get rid of under-spends at the end of the financial year, when corridors smell of new paint and are stacked with new computers. One of my favourites was the original ruling in Hong Kong that official cars should not have air-conditioning. This was no doubt intended to save money—but it had the opposite effect once air-conditioning was standard on new cars, and the government had to go to further expense to remove it!

So where did all these rules come from? Their origins lay in the special responsibilities that go with spending taxpayers' money. Expectations of integrity, due process and openness are undoubtedly higher in the public sector than in the private sector. The civil service financial culture is therefore safe and cautious. This has served many administrations well, but it has real disadvantages. In their book about the management revolution in US Government, "Reinventing Government", David Osborne and Ted Gaebler describe the US inheritance from efforts to prevent abuse:

"In making it difficult to steal the public's money, we made it virtually impossible to manage the public's money... In attempting to control virtually everything, we became so obsessed with dictating how things should be done—regulating the process and controlling the inputs—that we ignored the outcomes, the results."

I believe that we can no longer afford the costs that go with this way of doing business in the public sector. We need to find better, smarter ways of ensuring integrity, whilst freeing up the talent of our managers.

Flexible Human Resources Management

The need for continuity and impartiality has led often to inflexibility in civil service human resource management. People are employed centrally and allocated to units and managers. Standard terms and conditions are retained even where the nature of the business calls for a different approach to working hours or rewards. Job descriptions often become written in tablets of stone. The civil service can find it equally difficult to reward excellent performance or overcome poor performance.

Yet a professional committed workforce must be developed and nurtured, and managed effectively if tasks are to be delivered. As I have said, most civil servants want to do a good job. But all too often organisational bear traps and constraints turn them off. Line managers, who are close to the customer and their staff, are in the best position to realize this latent potential. We need to enable them to manage their staff effectively. In the Hong Kong Civil Service, as elsewhere, we need increasingly to provide for more flexible employment

terms that will not only offer satisfying life-long careers for those who choose to stay (but only if they pull their weight) but also allow management to tap the expertise of those who do not fancy a permanent civil service career.

Managing Knowledge

Lastly, I see the effective use of knowledge as an important enabler of improvement. I deliberately use the term knowledge in preference to information. Most of us are swamped by information. Yet we remain hungry for knowledge. In another and less welcome inheritance from the colonial civil service, paper has been our lifeblood. It floods our corridors in a vain attempt to ‘feed the beast’ at the centre.

Being good at managing for results will require the Hong Kong civil service to get better at managing knowledge. We had a very practical example of this during one of our government wide performance review meetings in June. In previous years everybody at the meeting had folders of paper literally feet thick. I think I am far enough from home to admit that most of this went unread. This year we used an on-line computer system to aggregate and present the key issues.

Institutional Arrangements

Getting the enabling environment right is important but we must also recognise that the civil service operates in many different environments and some of these require even further flexibility. Yet we tend to assume that one size fits all, and try to cope with standard institutional arrangements. In Hong Kong we have already set up corporations to run the railways, and introduced trading funds to operate more commercial services such as the Land and Companies Registries and the Post Office. But there is scope for further innovation, for example moving more internal service departments to trading fund status and freeing their customers to buy services elsewhere. We are also ready to look at other opportunities such as contracting out, outsourcing whole services, and privatisation.

Combining Continuity and Change

It is only fair to recognise that some people will see a potential conflict between the continuity of civil service values and the agenda for reshaping government I have just set out.

We must certainly avoid a world where we know the cost of everything and the value of nothing. But to me the challenge for leaders is to drive the step jump in performance whilst preserv-

ing, if not strengthening, the core values of the civil service. We underestimate the civil service’s enduring core values of integrity, speaking “truth to power” and impartiality if we believed they can only survive in a bland, comfortable world, supported by safe and cautious rules.

We don’t believe this in Hong Kong. We will be reinforcing the proven, core values of the civil service at the same time as we are embracing discontinuous change to managing for results, not managing for a quiet life.

Sharing Across Asia

These issues affect civil services across the Asia-Pacific region. People talk a lot about competition in Asia. I don’t want to get into the Asian values debate, but we all know that Asia is about more than competition. There is also co-operation, obligation and responsibility. Take the example of Hong Kong and Singapore. Of course we compete, for business, for trade, for the location of regional corporate headquarters. Yet ultimately the success of our cities depends more on Asia as a whole succeeding than on ‘beating’ one another. We have more in common than separates us.

There is much to be gained from sharing experience of how to manage the civil service effectively. Singapore, for instance, has made strides in financial autonomy for executive agencies. Australia has advanced on Human Resource issues and I believe we have much to offer on managing for results. I therefore propose the creation of a public sector management forum for Asia-Pacific region. If others agree, and the early soundings are positive, we are happy to host a first meeting in Hong Kong later this year to discuss how this co-operation can best be achieved.

Conclusion

Ladies and gentlemen, I have sought to explain today the most important developments in leadership of the civil service. For me they present a twin challenge of reshaping the way we manage the civil service whilst preserving and renewing its core values. I believe they will resonate with you in your professional leadership. All of us in this room have special obligations placed on us to use the community’s trust wisely for the benefit of that community.

Thank you.
Thursday, August 13, 1998

