



Suite 400, 4 King Street West
Toronto, Ontario M5H 1B6
Telephone (416) 362-6863
Fax (416) 362-0761

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Mayor David Miller
Office of the Mayor
City of Toronto
City Hall, 2nd Floor
100 Queen Street West
Toronto ON M5H 2N2

Shirley Hoy
Chief Administrative Officer
City of Toronto
11th Floor, East Tower, City Hall
100 Queen Street West
Toronto ON M5H 2N2

Dear Mayor Miller and Ms Hoy

As part of our mandate to assist with the review of the City's departmental structure, we have been requested to comment on the Mayor's report to Council. This letter contains our assessment, under four categories:

- General
- Risks and Challenges
- Considerations for implementation
- Other considerations

General

We find that in both spirit and content, the report and its recommendations are consistent with the conclusions from our work and with the strategy for restructuring that we recommended in our discussions with you. In particular, we are a strong advocate of the principle-based approach taken in this report. A set of well-founded principles creates the rationale for recommendations and the legitimacy needed for any successful change effort. As questions and issues arise during implementation, the principles form the basis for understanding, interpretation and ultimately, acceptance. We note the care taken to clearly link the principles to the Mayor's restructuring objectives (in Chart #1) and to demonstrate how they are realized by the recommendations in Chart #3.

We agree that these recommendations are the right ones for the City at this time and the report has made a solid case for them. In particular, we strongly believe in the need to adjust the balance of

authorities and responsibilities among the first three levels of the administration (that is, the CAO, the Commissioners and the General Manager/Executive Director level). The purpose of such a rebalancing would be twofold. First, it would strengthen the ability of the senior management team to act more strategically in support of Mayor and Council priorities and to exercise administrative oversight of the City's day-to-day operations. Second, it would enable the Divisions to deliver citizen-focused services with greater autonomy and innovative capacity. We concluded that such an approach was both necessary and desirable if the Mayor's restructuring goals (enunciated on page two and also Chart 1 of the review document) were to be realized.

Risks and Challenges

A casual observer of the organization diagram in Chart #2 might not appreciate the true nature of the change that is being advocated in this report. The lines of responsibility and authority are now clearly drawn between a group of more autonomous Divisions and a strengthened senior management team. However, insofar as it represents a significant departure from the current organization, it does contain a number of risks and challenges that will have to be addressed. In particular:

- While the citizen-focused divisions will be more autonomous, particularly with their dealings with committees and Council, it must remain clear that their accountability to Council is through the CAO and the senior management team. Since the CAO alone cannot exercise the required degree of governance and management of this group, the task will by necessity fall in large part to the Deputy City Managers, even though they are no longer formally heads of Departments. We are pleased to see the Report recommending that the Deputies be assigned groups of Divisions, and that they are given responsibilities for oversight and performance management in these areas (on page 7). This concept can be further developed as the recommendations are given more definition, for example, in the form of job descriptions. The roles can be clearly and explicitly stated, and then communicated so that they are understood by all stakeholders, particularly the Deputies, Division heads and Councillors.
- The new structure consolidates many of the existing Corporate Services functions under a Deputy City Manager who is also the CFO. We appreciate the rationale for this move, given that several key corporate services have moved up to the City Manager level, and note that there will be a Chief Corporate Officer dedicated to the corporate services that remain under the Deputy. We are also reminded of the original amalgamation proposal in which Corporate Services and Finance were combined as a single department (albeit under a Corporate Services Commissioner). What we wish to point out is that from a senior management team perspective, the Deputy/CFO will still be ultimately responsible for the corporate services file. This should not become an issue as long as the incumbent is someone who can exercise proper leadership and oversight of both Finance and Corporate Services portfolios
- While the large impact of the reorganization is to increase the autonomy of the level that current reports to Commissioners, there are groups (under the Treasurer and Chief Corporate Officer) that will be an additional layer removed from the City Manager. This is more the result of the consolidation referred to in the previous point than an intention to weaken their positions. To ensure

that this does not impair the ability of such groups to carry out their responsibilities in areas for which they have a corporate mandate, we recommend that the Deputy/CFO make a conscious effort to support their continued authority and counter any perception of diminished status.

- There will be a natural tendency of more autonomous Divisions to build up their administrative, technical and support functions. We note with approval that the report addresses this by assigning responsibility for such functions to the Deputies, and simply want to reinforce the point that where real economies have been achieved in these areas, they should be preserved or even expanded.

Considerations for Implementation

The need for a change management program to support this restructuring should not be underestimated. If the new structure is to be successful in achieving the goals set out by the Mayor, culture and behaviour must also change. This change would be very well supported by the following.

- *The development of a new relationship between the CAO's office and the Divisions.* This is essential or the now more autonomous Divisions will have a natural tendency to go their own way, even they have well-defined accountabilities to the level above them. It will not be enough for the Deputies to intervene periodically, for example, at budget time. The mechanisms for engagement between them and the Divisions must be meaningful and ongoing, and realistically, much of the initiative will need to come from the Deputies themselves.
- *The evolution of appropriate working relationships between the Divisions and committees and individual Councillors.* Such relationships should not conflict with the Divisions' accountability to Council as a whole, which flows through the CAO's office. There will be a natural tendency for Councillors to work closely with certain Divisions where they have a strong interest, and conversely for Division heads to seek out Councillors where they feel they have the most support. Strong backing from Council as a whole will be required, to establish the norms for behaviour by individual Councillors and to support the role of the CAO's office in exercising proper governance over the Divisions.
- *The breakdown of barriers between Divisions.* It is possible that more autonomous Divisions could lead to an even greater silo culture than currently exists in the Departments. This can be offset by insistence from Council on cross-Division cooperation in pursuit of Mayor & Council priorities, by effective performance of Deputies in their integrating roles and by elimination of systemic barriers to horizontal cooperation (see next section).

Other Considerations

In our discussions and presentations to both of you, we identified a number of factors in the current environment that should be addressed independently of any reorganization. To the extent that any or all of them can be resolved in the course of implementing the recommendations on pages 12 and 13, the outcome would greatly contribute to the success of the overall effort. They include the following:

- The shortage of resources in policy and implementation functions – these have been cut back repeatedly since amalgamation and we agree that most Divisions now have little reserve capacity to undertake or participate in new city-wide initiatives. A persistent lack of management development and training has also greatly reduced capacity in this area.
- The “chill” effect of MFP – this and the consequent emphasis on regulatory mechanisms (auditors, fraud line) have created an organizational culture that is very risk-averse, and thus not conducive to innovation.
- A barrier to cross-divisional cooperation that is perhaps more economic than structural or behavioural is the fact that Divisions can find themselves effectively penalized for “going corporate” – that is, when they contribute resources towards corporate objectives, they are too often diminishing their ability to achieve their own objectives and service levels
- Some way must be found to satisfy Councillors’ need for access to (and information from) staff while not diverting staff too much from their tasks. As it stands, intervention by Councillors and demands for new reports continually pull senior management from the Divisions into the details of day-to-day operations. This in turn makes it very difficult for them to devote attention to the more strategic priorities established by the Mayor and Council and to ensure that their Divisions are fulfilling their overall mandates to the public. A similar drain on senior staff capacity occurs as a result of the consuming and ongoing nature of the budget process.

Conclusion

In summary, we believe that the recommendations in this Report are ones that the City needs to make in order to create a renewed and positive organizational climate for the organization. With strong Council and staff support, you should be able to achieve the goals that were set out at the start of this exercise. We have enjoyed working with you and feel privileged to have been participants in an exciting process. Please feel free to call us if you wish to discuss any aspect of the above comments.

Sincerely

Western Management Consultants of Ontario

Leo Gotlieb, FCMC
Director

Mary Baetz
Director