

# The Optimal Quantity of Risk Taking

Presentation to Halifax IPAC  
by Mel Cappe, President IRPP

Leadership Lessons

May 1, 2007



# Introduction

- What's in a Title?
- Cappe's 10 Lessons of Leadership
- Accountability, Risk and Mistakes





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*"It's always cozy in here. We're insulated by layers of bureaucracy."*



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# Cappe's 10 Lessons of Leadership

- 1 Look after your people, and they'll look after you
- 2 Be more government-like, not more business-like
- 3 Good officials demand good political leaders
- 4 Good officials challenge Ministers
- 5 Good officials Collaborate
- 6 Do good by stealth
- 7 Responsibilize Managers
- 8 Put yourself on the outside of government looking in
- 9 Avoid fads; return to basics
- 10 Take risks: But know what risks to take!



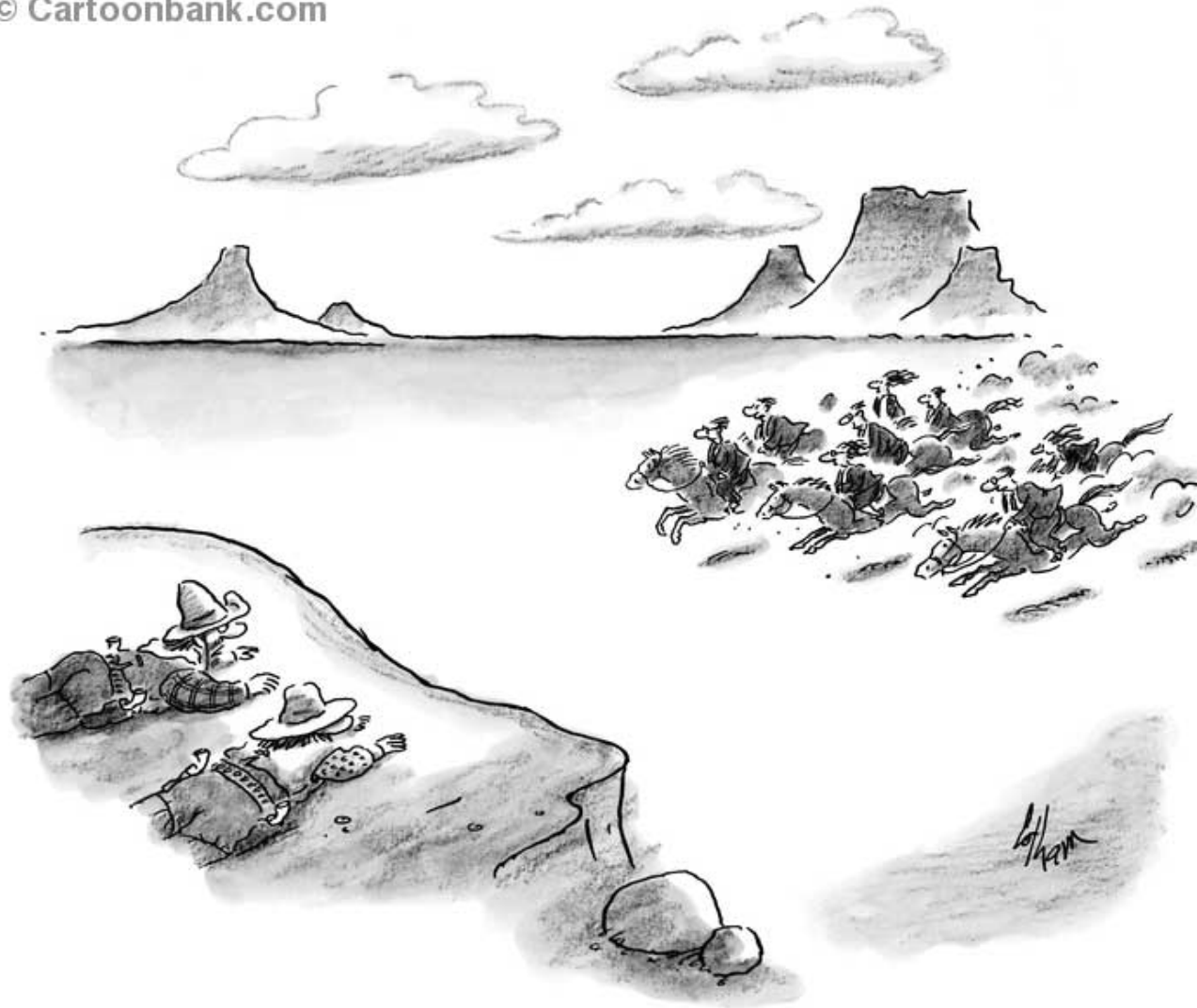


# Risk and Efficiency

- Back to the '50s vs Back to the '70s
- Thesis: There is an optimal quantity of risk-taking in public service
  - Social costs and benefits vs private costs and benefits

# Accountability

- Fad vs. good management vs. disincentives
- Political leadership
- Public perceptions
- Parliamentary Posse



*“I don’t think it’s a posse—it looks more like a subcommittee.”*

# Accountability

- Innovative Government

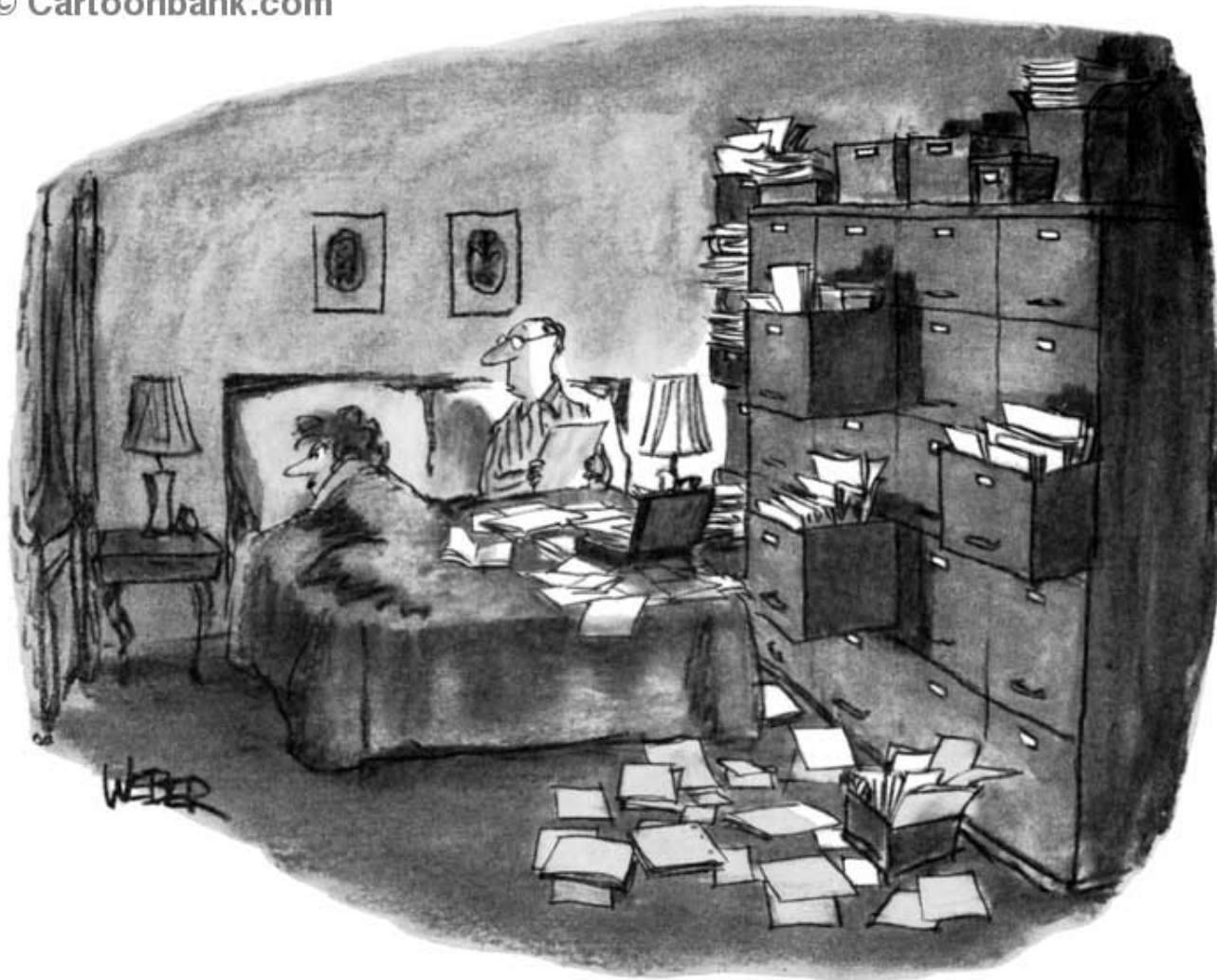
vs.

Safe Government

- Government is a Complex organism
- Things are not as they seem
- Law of unintended consequences

# Risk Taking

- Nature of public services
- Optimal Risk
- **Know when to take which risk**
- Optimality is key
- Risk is natural and ever-present



*"I'm sorry, dear, but you knew I was a bureaucrat when you married me."*

# Risk Taking

- Mortality and morbidity
- Public tolerance of mistakes
- Role of experimentation
- Comptrollership
- Post-Gomery
- Clerk's 14th Annual Report



**"Ok honesty is the best policy.  
Let's call that option A."**

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# Risk Taking

- Accountability vs Blame
- Question period
- Media
- Supply and Demand of Accountability
- Incentive effects of accountability
  - risk aversion

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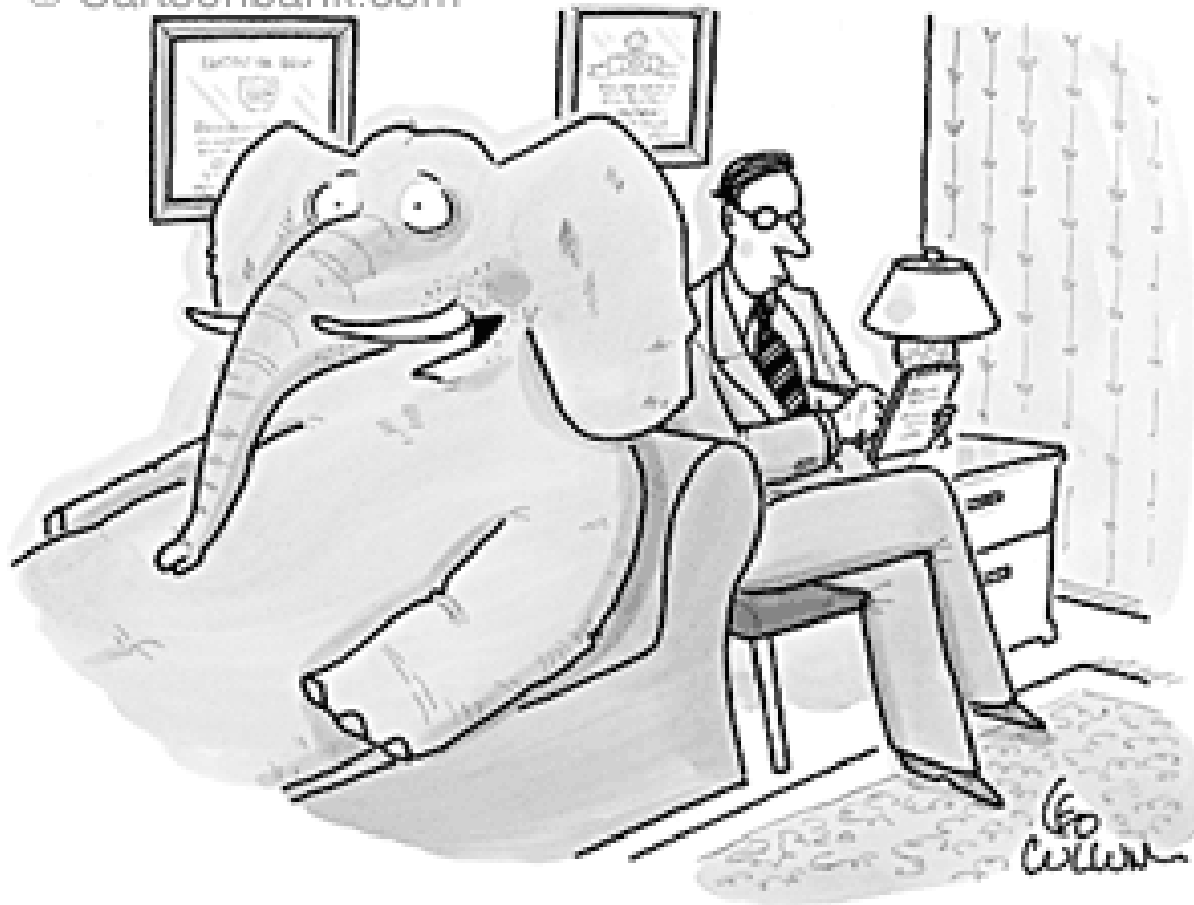


*"I'd like to stall this project into the ground—hand it over to one of our action committees."*

# Risk Taking and Management

- Rules vs Judgment
  - MATS
- Federal Accountability Act
- Optimal Quantities
  - death
  - fraud
  - risk

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*“I’m right there in the room, and no one even acknowledges me.”*

# Risk Taking

- There can be too much enforcement
  - Cost of enforcement
- Incentive effects
- Auditors
- Rules vs Culture



*"I started out carrying his newspaper and fetching his slippers. Then, gradually, I began assuming more and more responsibilities."*

# Risk Aversion and Creativity

- Canada needs innovation in policy, administration and delivery
  - Wally
  - Measurement
- The Blame Game
  - Punish the mistakes
  - Beat out the ideas

# Ministerial Accountability

- Westminster Parliamentary Democracy
- Answerability, Accountability, Responsibility
- **Blaim mee fro awl thee mistakes!**

# Summary

- There is an optimal quantity of fraud
  - There is an optimal quantity of risk taking
- 
- Rules are no substitute for judgment.
  - Accountability is desirable, but overdone
  - Recruitment, retention and satisfaction affected by the rules

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