

# Governance in an Enterprise-Wide Management Environment

Notes for Remarks to the Financial Management  
Institute

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## ***Introduction***

Thank you very much for the invitation to speak this morning. This is my first appearance before a gathering of the FMI, though one of my colleagues in Sussex Circle is well known to you, I believe, by virtue of his monthly column in the *FMI Journal*. I'm referring of course to Alan Gilmour.

My topic this morning is "governance in an enterprise-wide management environment". That phrase requires a certain amount of decoding. I can't imagine, for example, that if you did a random poll of people on the Sparks Street Mall they would have much to say about it. But it's a topic that means quite a lot to the people in this room, and it's one I've been thinking about for some time.

The first thing I want to do, therefore, is to talk about today's management environment, and how it is that more and more issues have come to be managed on an across-the-department or cross-departmental, or even government-wide basis.

The management -- and governance -- of these crosscutting issues has presented real challenges to officials, and no less a challenge to Parliament.

I'm thinking of issues such as climate change, aboriginal economic development, crisis response, border security, and almost every aspect of economic development. (Indeed, what is striking is not which issues are "horizontal", but rather the realization that almost all of the big issues before us today have this character.)

So our first task is understanding what we mean when we talk about enterprise-wide management, both at the departmental or agency level and at the level of government as a whole.

Our second task is to understand what it means to "govern" issues and initiatives on this whole-of-enterprise basis. As many of you know this is no easy thing, again because governance in these terms challenges our traditional understanding of authority and accountability in the Westminster system.

To put it in a nutshell, we still aren't equipped to manage or govern on enterprise-wide basis, and this is becoming more of a problem all the time.

## ***The New Management Environment***

Let me start with what's new. How are things different today than they were, say, 20 or 30 years ago when most of us began our careers? What is it about today's management environment that is different in significant ways from the one in which we were trained?

I can think of three factors that have shaped the management environment in government in ways that affect every manager, almost all employees, and of course every financial manager.

### **1) The Information Revolution**

The first factor is the arrival twenty years ago of the new information and communications technologies that have revolutionized both how government does its business, and what citizens expect of their government.

Today, the whole of government is wired (or wireless).

- 20 years ago, public servants worked with colleagues with whom they were in close physical proximity, and they reached out to others by telephone.
- Today, they work on a networked basis with colleagues from across the government or across the world using e-mail, shared databases, and powerful search engines. They not only work, but they actively *collaborate* on the development of policy, the design of programs and the preparation of advice to deputies and to Ministers.

In government today, people work on an enterprise-wide basis and they take it for granted.

In a similar fashion, citizens' expectations of government have been dramatically changed by the introduction of the new ICT's.

- People expect that they will be able to access government information online, easily and comprehensively.
- They expect to be able to know which public servants are working on which files; and they expect to find their telephone and e-mail addresses in an online directory.
- And they expect the government will be able to deal with their problems much, much more quickly than ever in the past.

## **2) Globalization**

The second revolutionary vector in our universe today is globalization. Globalization is a word we all use and one that has many expressions and applications in government. But for our purposes this morning, let's understand by 'globalization' the fact that there are no longer any issues that lie solely within the control of a single government, still less a single Minister.

- For the federal government, this means that there is scarcely an issue where the provinces do not assert an interest, a right to be heard, and even a right to be part of the decision.
- Moreover, almost every issue has been *internationalized*. Governments have therefore come to expect that dealing with issues will require much more comprehensive approaches than in the past. And they have come to understand that their capacity to determine outcomes is much less than it was before.
- This is illustrated vividly in the Canadian response to the current financial crisis. Both Canadian governments and citizens across Canada understand

that this is an international phenomenon, and that Canada's response must be in step with those of our partners, notably the United States.

### **3) Stakeholder Engagement**

The third vector that has shaped and determined the contemporary management environment is the incredible increase in stakeholder engagement with issues and with government.

When I joined the Public Service 30 years ago, it was still possible -- indeed it was quite the usual practice -- for officials to come up with solutions to problems by themselves, put them to the Minister for approval and then simply announce them.

No longer is this possible. Today, if you tried it to do that, a dozen stakeholder interests would immediately rise up in angry response. Ministers expect that before officials give them final advice, that advice will have been informed and shaped by thorough and meaningful consultation with affected parties outside government.

So we are working in a new environment, shaped by these significant forces of new communications technologies, globalization and public engagement.

#### ***Managing in this New Environment***

What does this new environment mean for managers?

It means, first of all, that managers must be prepared to deal with issues much more rapidly than in the past. Expectations of the speed at which advice and other finished products can be developed and delivered have increased exponentially.

- I must confess that I was part of the management team at the first agency that operated in this way -- namely, the Treasury Board Secretariat in the late 80s and early 90s.
- Using the old GEMDES e-mail system (how many of you can remember that?), we were able to work on essentially a 24-hour basis to turn around documents for the deputy and the Minister.
- Now, every department works on the assumption that anything can be turned around in 24 hours, if the need is great enough.

This speed of networked production is not an unvarnished good thing, not least because it can tend to isolate those who are not "in the loop". It can also foster an expectation that every problem can be solved in a two-page briefing note, with no premium paid to expert knowledge or experience. This is dangerous.

But more importantly for our purposes today, the new environment means that managers must be prepared to manage issues over which they do not have complete line authority. If they're going to deliver a result, they must do it by harnessing the work of people who don't report to them, or may not even be in the same organization.

In this new enterprise-wide environment, we need systems and capacities to manage these horizontal files effectively.

I am referring to such things as:

- new ways of resourcing initiatives where more than one department or agency is active;
- financial systems that are intelligible from one department to another;
- capacity for audit and evaluation at an enterprise-wide level;
- new ways of performance reporting to reflect enterprise-wide program activities;
- policies and rules that facilitate the enterprise-wide management of people, specifically in areas such as short-term deployment, performance assessment, and things as basic as pay administration;
- mechanisms for decision-making at the level of deputies and Ministers that are appropriate for the management of issues that belong to more than one of them.

But beyond formal systems, we also need to foster an *ethos* in which public servants are ready to collaborate across branch or sector lines, or across departmental and agency lines. I've seen considerable progress on this score, but there are still many places in government that are more parochial than not.

It's worth noting that the impetus toward making more organizations "separate employers" would tend to run counter to the need for an enterprise-wide management ethos. So too does the current obsessive focus on line accountability, which tends to make senior managers less willing to collaborate in shared initiatives.

### ***What Does this Mean for You, As Financial Managers?***

The starting point, and I'm sure you would agree, is that as financial managers in departments and agencies across government, you have to think on an enterprise-wide basis. You serve the whole department or agency, not just an ADM.

And as professionals working under the leadership of the Comptroller General, you share a professional concern for the quality and integrity of financial management, in its broadest sense, across government.

Your enterprise-wide perspective should foster more effective collaboration, better issue definition, and cross-departmental solutions to resourcing and performance reporting.

Are you doing this? My sense is that on the financial management side, you are. The various steps taken by the OCG to foster a more government-wide perspective and wider sense of professional duty within the financial management community seem to me to have been working very well. Where I am less certain is with respect to other

dimensions of departmental management – especially contracting and human resources management.

I would note, however, that the Office of the Auditor General has long taken an enterprise-wide approach to its audit work, and has been a pioneer in looking at issues, risks and performance on an enterprise-wide basis. This is especially true of the audit program of the Commissioner of the Environment and Sustainable Development (which is, of course, part of the OAG).

Where parochialism is the strongest, in my experience, is in the area of program management -- people who have designed and operate traditional programs can be reluctant to participate in new ways of defining problems and managing issues. Their identification with traditional ways of managing is often stronger than that of people on the policy side or those who do financial management.

## **Governance**

Let me say a few words about the subject of governance.

We can think of governance at the level of a single organization, and also at a cross-government level. The latter, of course, is really a matter for Ministers or at minimum for committees of deputy ministers reporting to Ministers.

The first thing to note is that our system of Westminster government is of course explicitly designed to enable governance at an enterprise-wide level. Cabinet is the forum where the interests and objectives of different Ministers are reconciled into a single, government-wide position. This is done under the leadership of the Prime Minister, and it works well.

So in the most basic sense, and like the man who has been speaking prose all his life without knowing it, we have been governing ourselves at an enterprise-wide level quite successfully, for a long time.

Where have we been markedly less successful, however, is in the governance of issues and initiatives at a level below Cabinet but beyond that of a single Minister.

- Look at the difficulties in the management of the climate change file, for example, or the challenges of orchestrating a coherent, government-wide program response in Afghanistan.
- Look at the challenges of reconciling different departmental views on cases of environmental assessment.
- Think of the secure channel, or how hard it has been to get departments and agencies to adopt common software for financial or HR management.

What stands in the way of more effective governance of these crosscutting issues?

One, almost constitutional barrier is that of the Parliamentary appropriations and accountability regime, which requires that money be voted to individual Ministers for the

conduct of specific, ministerially-controlled programs. Parliament does not allocate money to the government as a whole.

The second obstacle, as I mentioned earlier, is that the recently-reinforced accountability regime seems to presume that, ultimately, every file is under the control of a single person, and that if something goes wrong on that file you can always find out which individual is responsible. This premise is profoundly mistaken.

A third obstacle is the deeply-ingrained instinct on the part of managers to want line authority over the work they are managing. One can understand why this impulse is there, and they may well be cases in which it's appropriate. But there is no escaping the fact that, for an increasing number of issues, decisions will have to be made on a cross-enterprise basis, and systems for information sharing, advice-giving, implementation, control and reporting will have to support this.

As financial managers throughout the government, you have an important role to play in creating and managing those enterprise-wide systems. If you can show your deputy that it's possible, he or she will be more inclined to work in this way. If you can make it easier to manage on an enterprise-wide basis, that will start to happen.

It's going to take some time, and it will certainly require the active engagement and support of Parliamentarians, but I am confident that over time we will equip ourselves to manage issues, programs and people on an enterprise-wide basis.

Thank you