

The Privatization of PWGSC: Are Taxpayer Dollars Funding Private Sector Empire Building Within The Government Bureaucracy?

You know the old story about peeling back the onion. While the title to today's post may seem a tad fantastic it is not out of the realm of possibility, at least from an operational perspective. After all just ask the private insurance companies in Manitoba what they thought both before and after that provincial government introduced Autopac.

In my quest to look beyond the limiting scope of dinner party musings and periphery supposition (the space in which the majority of us are forced to operate when it comes to the GoC), I have expended a great deal of time and energy to understand the continuing disconnect that stifles the potential of the GoC's current procurement strategy. Especially in the area of SME engagement! And like many things it was almost by accident that the pieces of the picture began to come together. Or to take a phrase from one of my favorite movies Field of Dreams- "there comes a time when all the cosmic tumblers have clicked into place and the universe opens itself up for a few seconds to show you what's possible."

Bear with me and I will try to illustrate my point.

Earlier today Chuck Henry, Chief Technology Officer, Technology & Internal Service Strategy, Treasury Board of Canada, Secretariat (long title) teamed up with Gale Blank, Business Development Executive from IBM Canada at GTEC 2007 to give a presentation on "The Role of Governance in Transformation." Prompted by an initial thought, why is a public sector CTO teaming up with a representative from a private sector organization to deliver a joint message on GoC transformation, I wanted to learn more about Ms. Blank.

Referring to her speaker's bio, it turns out that Ms. Blank held a variety of positions within the GoC including being the Director General of Product Management for ITSB (in PWGSC) and CIO in the Department of Canadian Heritage. Prior to joining the public ranks, she was the CIO for Indigo, Eaton's and Loblaws. Smart company that IBM.

However, it was her December 2nd, 2004 presentation, "Moving to Enterprise Shared IT Services" that got my immediate attention on many levels. Just for starters, and this is a question for all my readers, if I was an instrumental part of developing or advocating the government's "one enterprise" strategy, after which time I moved to a private sector company what is the likelihood that my new company would have a natural advantage in terms of opportunity with the GoC? Certainly a joint presentation at GTEC implies some degree of continuing collaboration.

Given this as a backdrop, a more pressing question of course is what opportunity does a small business really have in terms of penetrating the GoC? Referring once again to our layered onion this is a point better addressed in a future post.

What is interesting, and relates more to the "privatization" aspect of this post, are the core elements of the December 2nd presentation. While I will be more than pleased to provide you with a copy of the presentation in PDF format (just send me an e-mail at procureinsights@rogers.com with "Blank" in the subject line), so that you can review it in its entirety, I will share with you a number of what I consider to be key excerpts.

[Where have you gone Reg Alcock](#)

In January 2004, Reg Alcock (then President of the Treasury Board) made the statement "in the context of a fast evolution of information and communications technologies, the GOL experience is leading us to service transformation and to a radical change in the way government is managed." Of course Mr. Alcock's statement did not specify what form this "service transformation or radical change" would take or the degree of private sector influence.

Fortunately Ms. Blank's presentation, which was a condensed version of an earlier presentation given by Howard Dickson at the International Conference on E-Government in Taiwan (October 28th & 29th, 2007), did expand on Mr. Alcock's statement. (Note: At the time of the Taiwan conference Mr. Dickson, who is now Hong Kong's Chief Information Officer had just retired as Assistant Deputy Minister, Information Management with the Department of Defence. Prior to his tenure with the GoC Mr. Dickson had an extensive private sector career with organizations such as CIBC, Guaranty Trust and Ernst & Young. Is anyone else picking-up on the private sector roots as well as the ongoing interchangeability of transformation advocates?)

The second slide in Ms. Blank's presentation indicated that "PWGSC's Information Technology Services is spearheading an emerging trend – SHARED SERVICES ACROSS THE ENTERPRISE – which will transform the way GoC does business and information technology (IT)." It concluded with the statement, "this is not about IT, it's about managing a GoC-wide change."

Slide 5 then asked and answered the question "What should the Enterprise be?" The answer, nimble, a good corporate citizen and, to use resources most effectively (including good use of taxpayers and shareholders dollars).

While all are worthwhile objectives, as I went deeper into this as well as Mr. Dickson's presentation, the private sector terminology (i.e. good corporate citizen, shareholders dollars) evolved beyond mere semantics into what I believe is one of the main stumbling blocks of the GoC plan.

Starting with slide 14, a graph places the "Shared Services Agenda" at the center of the entire government world. The problem here of course is that it actually contradicts the principles associated with New Public Management (NPM) thinking, which "advocates replacing rigid hierarchical organizational structures with more dynamic networks of small organizational units." Specifically, a key NPM objective is to replace authoritarian, top down policy-making practices with a "bottom-up" approach which facilitates stakeholder involvement. The Shared Services Agenda doesn't necessarily adhere to this principle as you will see in the upcoming paragraph.

[Divide and conquer?](#)

Jumping ahead to slide 22, titled "A New Way of Thinking," Ms. Blank attempted to quantify the "Magnitude of Change" associated with the one enterprise concept. The first point was "divide and conquer," followed by "leverage, partnerships" and the need to "be realistic." Divide and conquer! Interesting precept given that a few slides later (number 26), Ms. Blank concluded the presentation by emphasizing that the PWGSC strategy represented a "new way of working together."

Perhaps this "new way" of working together is what Kathryn May was referring to in her September 27th article (see the October 6th PI post, NPM's guiding principles for creating a "Slim" State: What Marshall, Tipple and Rotor should have known?) when she wrote "many have argued someone can't be thrown into the public service to navigate the transition to a very different management culture than they are used to." I can't of course speak for anyone else, but in my opinion any strategy in which the term "divide and conquer" is mentioned does not bode well, especially within the public sector.

[Howard Dickson presentation](#)

In Howard Dickson's presentation titled "Using the e-World to Enable Service Transformation in Large Public Service Organizations: A Canadian Perspective," the second slide asserts that "business and government have many common e-characteristics." (Note: as always, I am more than happy to share research material with you. If you would like a copy of the Dickson presentation, send me an e-mail at procureinsights@rogers.com with "Dickson" in the subject line.)

While subsequent slides such as 18, 19 and 20 are almost exact duplicates of the slides Ms. Blank used in her December session, Slide 24 of the Dickson presentation identified Systemic Barriers to Horizontal/Common Initiatives. Of the eight points listed, three dealt with the issue of centralized control, or lack thereof. Specifically:

- Departmental vertical accountability model makes it hard to advance horizontal initiatives
- No single point of responsibility and accountability

- Lack of “one enterprise” culture and governance

Obviously, the one enterprise brain trust didn’t study case histories in the public sector at any great length, otherwise they would have known that wresting power from departments who are used to calling the shots is a virtual impossibility. Veterans Integrated Service Network (VISN) resistance to a centralized strategy is one of the main reasons that the VHA’s two \$650 million (combined) initiatives failed. It is also the reason that the State of North Carolina established a Memorandum of Understanding (MOU) with its higher education institutions in November of 2004. Under the MOU, the institutions were granted a wide degree of autonomy in terms of their practice with the caveat being that there would be a “cross-sharing” of information to ensure that the State’s overall strategy was sound. Divide and conquer certainly wasn’t an element of the North Carolina game plan, nor was it with other public sector initiatives including the State of Washington’s and Commonwealth of Virginia’s.

Dickson’s final point in the 22nd slide is somewhat ominous when he states the “need to remember that The Medium is the Message.” Obviously a Marshall McLuhan fan, it is in his erroneous application of this oft-quoted phrase that ironically foretells the fatal flaw of the one enterprise strategy within the public sector. At least a strategy that is dependent upon establishing centralized control.

[Looking beyond the obvious](#)

In his article titled “What is the Meaning of the Medium in the Message?,” Chief Strategist Mark Federman wrote that “Marshall McLuhan was concerned with the observation that we tend to focus on the obvious. In doing so, we largely miss the structural changes in our affairs that are introduced subtly, or over long periods of time.” Federman went on to say that “whenever we create a new innovation – be it an invention or a new idea – many of its properties are fairly obvious to us.” In short, we know what it is intended to do and what it is intended to replace, as well as the associated advantages and disadvantages. Given the information provided in the Blank and Dickson presentations, this certainly rings true.

What is interesting about Federman’s observations however, is his position that after a long period of time, and at the point in which we look backward, we often realize that there were “some effects of which we were entirely unaware of at the outset.” Many of these “unanticipated” consequences which include historical precedents and pre-existing conditions, including “secondary and tertiary effects in a cascade of interactions” comprise “our ground or context.” Influencing the way in which we interact, ground Federman observes comprises “everything we don’t notice.”

Coming from the private sector, it is not surprising that the majority of executives would underestimate the level of resistance from the existing

public sector bureaucracy (or their inability to enforce change). It doesn't of course help that many of these corporate guns actually "enhance" their images as high priced interlopers through their return to the private sector (re Blank to IBM).

The fact is corporate "colonial" thinking in an era of globalization in which smaller, more compact units truly collaborate to the benefit of all stakeholders, will not work. To put it another way, the one enterprise concept is a myth – at least in its present GoC format.

[The way forward?](#)

In a paper I wrote in 2004 titled Acres of Diamonds, I made the following observation:

"It is my position that a true centralization of procurement objectives requires a decentralized architecture that is based on the real-world operating attributes of all transactional stakeholders starting at the local or regional level. In other words, an organization gains control of its spend environment by relinquishing centralized functional control in favor of operational efficiencies originating on the front lines. This is the cornerstone of agent-based modeling."

Until those within the government who are advocating a one enterprise approach are willing to revisit the core elements of their current strategy, I believe that the inertia within the GoC will continue much to the detriment of all stakeholders including the Canadian taxpayer.