

Lawrence National Centre
for Policy and Management

VOLUME 2, NOVEMBER 2005

The Lawrence Distinguished Lecture In Policy and Management

Meeting the Competitiveness Challenge:

SURVIVING AND WINNING IN A TRANSFORMING GLOBAL ECONOMY

Michael Sabia



Richard Ivey School of Business
The University of Western Ontario

IVEY

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Michael Sabia

Message from the Chair

THOMAS D'AQUINO

Good public policy and effective business strategies are often best understood by leaders who have had direct experience in the worlds of government and business.

One of the goals of the Lawrence Centre at the Ivey Business School is to seek out such leaders and ensure that their views are heard and debated.

This year's Lawrence Distinguished Lecturer in Policy and Management, Michael Sabia, is such a leader and he offers a provocative analysis of what, in his view, are the shortcomings in the relationship between business and government.

In sharing Michael Sabia's thoughts with our readers, we trust that you will consider carefully what it will take to close the gap in the often conflicting cultures and thinking of leaders in business and government.

With the active engagement of faculty, students, alumni, and public and private sector leaders, the Lawrence Centre continues to act as a catalyst in the building of bridges and understanding.



Thomas d'Aquino is a lawyer, entrepreneur, author and strategist. He is Chief Executive and President of the Canadian Council of Chief Executives (CCCE), a non-partisan, not-for-profit organization composed of the chief executives of Canada's leading 150 enterprises. Mr. d'Aquino's career combines experience in government, business and law. Mr. d'Aquino received his B.A., LL.B, and LL.M degrees from the Universities of British Columbia, Queen's and London (University College and the London School of Economics). He also holds an Honorary Degree of Doctor of Laws from Queen's University and Wilfrid Laurier University. He is the co-author of Northern Edge: How Canadians Can Triumph in the Global Economy.

Message from the Director

DIANNE CUNNINGHAM



The Lawrence National Centre for Policy and Management at the Richard Ivey School of Business was honoured when Michael Sabia agreed to address our Advisory Council, students and guests at the TSX in Toronto, on November 3rd, 2005.

His Distinguished Lecture reflected on the interaction/interrelationship between business and government, highlighting its importance in meeting the competitive challenge facing our country. Ideas were forthcoming during the discussion period for improvements to what Mr. Sabia refers to as “public policy gridlock...a ritualized dance of consultation”.

Our lecture series provides an important forum to debate significant issues that effect Canada’s competitiveness. We encourage the invitation of more experts to the tent of policy-making as we explore new models of consultation.

In the interest of developing the next generation of business leaders who are informed about governments and public policy, the Lawrence Centre continues to promote timely and innovative initiatives.

Dianne Cunningham brings to Ivey over 30 years of experience in education and government affairs, most recently as Minister of Training, Colleges and Universities and prior to that as Minister of Intergovernmental Affairs, Minister with Responsibility for Women’s Issues, Chair of the Council of Ministers of Education – Canada and Member of Provincial Parliament for the riding of London North Centre. Her experience in government and education builds on the Centre’s efforts to further policy and management research.

The Lawrence Distinguished Lecture in Policy and Management

“This Centre will become a strong advocate for sound policy that will ensure a powerful Canada.”

With those words, Jack Lawrence, HBA '56, announced his generous gift to the Richard Ivey School of Business, creating the Lawrence National Centre for Policy and Management, an expansion of the National Centre for Management Research and Development.

The Lawrence Centre is committed to the development of sound public policy by providing a national forum for business, academia, and government to think globally, act strategically, and contribute to the societies in which they operate.

The Lawrence Distinguished Lecture in Policy and Management is an annual event honouring leaders that embody the Lawrence Centre's mission to develop a forum for business and academia to work with government and to actively participate in public policy issues, not only for their own benefit but for the greater good of the entire country as a competitor in a global marketplace.

In the early 1970s, Jack Lawrence began to develop a strong interest in public policy and became active in the Business Council on National Issues (now called the Canadian Council of Chief Executives). Lawrence believes that managers, especially those in the middle ranks, often neglect public policy and government relations, failing to grasp their importance in any business environment. Business schools have a critical role to play in introducing their students to this key component of strategy.



Lawrence believes that business must learn to work in collaboration, rather than in confrontation, with government. This would strengthen the quality of public policy decisions, and ultimately lead to better economic results. “If we could really achieve more cooperation between government and business, we’d see a quantum leap in economic performance and productivity.”

The Lawrence Centre realizes Jack Lawrence's vision to see all stakeholders actively engaged in the development of public policy—not only government and business, but also labour, the media and members of the electorate. An academic environment like the Lawrence Centre is the ideal place for them to meet on neutral ground and explore issues of national importance. “If we could just get the great minds from every sector together in a room to address a problem like improving productivity, then we could get some real progress...And there's no more logical place to do it than Ivey.”

The Lawrence Centre Advisory Council

Thomas d'Aquino, *(Chair)*

*President and Chief Executive,
Canadian Council of Chief Executives*

Tom is a lawyer, entrepreneur, author and strategist. He is President and Chief Executive of the Canadian Council of Chief Executives (CCCE), a non-partisan, not-for-profit organization composed of the chief executives of Canada's leading 150 enterprises. His experience in business, government and law makes him the perfect choice to act as Chair for the Lawrence Centre's Advisory Council to help ensure Canada's success in the global economy.

Jalynn Bennett, *President*,

Jalynn Bennett and Associates Ltd.

Jalynn has participated in consultative initiatives and strategic planning in both public and private sectors.

Donald W. Campbell, *Group President*,

CAE Corporation

Donald has many years of distinguished service with Canada's Department of Foreign Affairs and International Trade.

Kevin Chan, *Analyst*,

Privy Council Office, Government of Canada

Kevin has worked as an advisor to the Government of Nunavut, Assistant to the Chairman of the Canada Industrial Relations Board and as a management consultant.

W. Edmund Clark, *President and CEO*,

TD Bank Financial Group

Ed has had a distinguished career in business and government, and was appointed President and Chief Executive officer of TD Bank Financial Group in 2002 after holding senior roles at TD and CT Financial Services.

Jim Dinning, *Chairman*,

Western Financial Group

Jim has held senior corporate roles in TransAlta Corporation and several key positions during his 11 years as a member of the legislative assembly in Alberta, including his service as provincial treasurer.

Blake Goldring, *Chairman and CEO*,

AGF Management Ltd.

Blake joined AGF in 1987 with responsibility for its Japanese and Asian portfolios. Holding several senior roles, he was named President and CEO in 2000, and in 2001 he was also named Chairman and CEO of AGF Trust.

Jack Lawrence, *Chairman and Founder*,

Lawrence & Company

Besides his current position, Jack is a director of a number of public and private companies. His vision and passion for the importance of ongoing public policy discussion in Canada led Jack to make a major donation to Ivey to establish the Lawrence Centre.

Rebecca MacDonald, *Chair and CEO*,

Energy Savings Income Fund

Rebecca is one of the founders and current Chair and CEO of Energy Savings Income Fund and has funded the recently opened Rebecca Macdonald Centre for Arthritis Research at Toronto's Mount Sinai Hospital.

Jeffrey Simpson, *Columnist*

The Globe & Mail

Jeffrey is The Globe & Mail's national affairs Columnist, a multiple winner of Canada's leading literary prizes, and an Officer of the Order of Canada.

Carol Stephenson, *Dean*,

Richard Ivey School of Business

Carol brings more than 30 years of progressive experience in marketing, operations, strategic planning and financial management to her role as Dean of Canada's premier business school.

Dianne Cunningham, *Director*

Lawrence Centre

Dianne brings to Ivey over 30 years of experience in education and government affairs, most recently as Minister of Training, Colleges and Universities and prior to that as Minister of Intergovernmental Affairs, Minister with Responsibility for Women's Issues, Chair of the Council of Ministers of Education – Canada and Member of Provincial Parliament for the riding of London North Centre. Her experience in government and education builds on the Centre's efforts to further policy and management research.

The 2005 Lawrence Distinguished Lecturer in Policy and Management

MICHAEL SABIA

Michael Sabia is an example of a person who genuinely transcends the public and the private, having held senior positions in both the Canadian federal public service and the private sector.

He is President and Chief Executive Officer of BCE Inc. and Chief Executive Officer of Bell Canada as well as director of BCE Inc.

Mr. Sabia was named Executive Vice-President of BCE and Vice-Chairman, Corporate, Bell Canada in July 2000. He was appointed President of BCE in December of that year, President and Chief Operating Officer of BCE and Chief Operating Officer of Bell Canada in March 2002, and then President and Chief Executive Officer of BCE in April 2002. He had joined the BCE group in October 1999 as Vice-Chairman and Chief Executive Officer of Bell Canada International.

Before joining BCE, Mr. Sabia was an executive of the Canadian National Railway Company (CN). He joined CN as Vice-President, Corporate Development in 1993 and was appointed Executive Vice-President and Chief Financial Officer in 1995.

Prior to joining CN, Mr. Sabia held a number of senior positions in the Canadian federal public service, including Director-General of Tax Policy in the Department of Finance and Deputy Secretary to the Cabinet (Plans) in the Privy Council Office.

Born in St. Catharines, Ontario, in 1953, Mr. Sabia was educated in economics and politics at Trinity College, University of Toronto (B.A.) and at Yale University (M.A., M. Phil).



INTRODUCTION: POLICY GRIDLOCK

It is a pleasure to be here.

I am going to be very informal tonight with a few comments on a broad issue that is very much in the spirit of the Lawrence Centre: the interaction/interrelationship between business and government and how that can become important in the competitiveness challenges facing the country.

I have been on both sides of the great divide between the public and private sectors. Sometimes it feels as if I have been on both sides of the proverbial looking glass – and I am not 100 per cent sure which one is Wonderland. My comments tonight certainly do not imply criticism of anyone. But I do want to try to be as candid as I can on this important question concerning the relationship between business and government.

Let me start with a pretty straightforward assertion: Canada is in what I will call public policy gridlock. It is fair to say we have seen no really decisive action on a major item in public policy since the 1995 budget. That is a long time ago. Ten years ago, if you think back, there was no email. The Internet was in its infancy. We had not yet concluded that China was in fact a capitalist country. So, a lot of things have changed in that period. And through that period, as I say, there has been no major decisive action on public policy in Canada.

That problem has many roots. I certainly cannot begin to address all of them. But I am going to talk a little bit about how business-government interaction plays a role in the serious issue of policy gridlock, starting with three points to stimulate our discussion.

Point number one: business and government have together fallen into a ritualized dance of consultation that, frankly, is getting us nowhere fast. As a result, it is putting our national competitiveness at even greater risk.

Point number two: policymakers have to find a way of creating policy frameworks for today and keeping them current today – not building them for yesterday. The world has accelerated so greatly that it has created a big gap between the speed of the world and the speed of government. That, too, is a serious threat to our country's competitiveness.

Point number three: the business community has to move beyond the self-interested lobbying that we have been doing and participate in a much broader way in the policy debates that need to be triggered in this country.

RITUALIZED DANCE OF CONSULTATION

Where does this dance of consultation start? A long time ago, I think - well before my time I am happy to say – in the aftermath of the 1981 budget of Allan MacEachen. It was a budget of mistakes. As a result, by and large, it had to be redone.

One of the consequences was the emergence of a very different approach, at least at the time, for the interaction between government and business. This was the creation of a pretty exhaustive – some would call it exhausting – process of consultation.

I think we have all become very familiar with this. The government releases some ideas and a discussion paper. The government holds hearings or accepts briefs. We in business, or academics or other social interest groups, make submissions. They are all carefully designed to try to disguise our narrow self-interest, but nonetheless, they are all about narrow self-interest. Then policymakers, a bit like the College of Cardinals, retreat to the conclave and decide what they are going to do with respect to all of this input. When they come out of the conclave – they announce “Habemus papum” (we have a Pope) – they disclose the results and pronounce a decision. This process of considering submissions from interest groups was, at the time, probably seen as a step forward. This is consistent with people’s views that the role of government was really about balancing the ideas and various interests of different groups.

But I don’t think it is the right model today. Time has passed it by. It needs to change, for three reasons.

First, because it has become a routinized, ritualistic dance, nobody is paying any attention. I think expectations are extremely low. In a phrase, the formal consultation process that goes on between the private sector and the public sector, between business and government decision-makers, is by and large a dialogue of the deaf.

Second, it perpetuates an us-versus-them view of the world. It fosters a sense that there is opposition in the interests of different interest groups and that induces people to think and behave as if their interests are competitive with others’. In terms of the core issues facing the country, it is debatable whether or not there really is such a significant underlying cleavage of interest here. We can debate tactics. But there are not too many people in Canada today who would debate the importance of having safe and prosperous cities, for instance, or making the country more productive, improving standards of living, or building a more reliable healthcare system or a social environment that fosters innovation. Those are things that are fundamental to how this country is going to perform in the future. In that context, us-versus-them is not appropriate any more.

Third, we cannot assume that government can act as an omniscient broker. The process is just too slow and too rigid in a world that is just moving too fast. The evidence of the speed of that change is well documented. Without belabouring the point, Canada is slipping in its standing in the international economy, from both competitiveness and productivity points of view. We have difficulties with diffusing technology,

RITUALIZED DANCE OF CONSULTATION *ctnd.*

particularly among small and medium businesses. The list goes on and on. Our national prosperity is not accelerating at the rate that it should. We are falling behind.

POLICY FOR TODAY . . . TODAY

Second, and related to this speed of change, we have an issue with the ability of governments to keep policy and policy frameworks current with a world that is moving at an accelerating rate. It is difficult for governments to find processes that can adapt fast enough. Governments, inherently, move more slowly than the world around them. I give Industry Minister David Emerson credit for saying in *The Globe & Mail* a couple of weeks ago that government, generally, is 20 years behind the private sector in terms of decision-making. Pretty candid comments. Admirable, but scary too. Just 15 years ago, the Worldwide Web was basically just an idea. Ten years ago, Netscape was playing around with the first mainstream browser. Snail mail has gone to email which has gone to instant messaging. All of that has become part of our everyday lives, and it has all happened over a 10- to 12-year period. A very short period of time given the way government operates today. And that is a big issue in terms of how government interacts with business and the broader community.

Significant change is happening, happening fast. How do we in the business community, and in our interactions with government, keep up? Just as important, how do governments keep up? I do not want to sound too negative, but look, for instance, at the record on issues like inter-provincial trade

These are serious issues. The speed of change is a challenge to all of us in business and governments. And it means that the ritualistic dance of consultation simply does not work.

barriers. I find it remarkable that the European Union would be able to make the changes it is making in such a short time. Now, admittedly, there is pushback in Europe these days, but nonetheless they have initiated a huge amount of change over a 10-15-year period. Yet over that same generational period, we have made virtually no progress on the elimination of inter-provincial barriers to trade in Canada. That is remarkable. Remarkable and disturbing.

There are many other examples. Take financial institutions. Financial institution policy gets reviewed in Canada – it is kind of a cottage industry – but nothing very much seems to happen. In his latest book, *The World is Flat*, Tom Friedman argues that the world has deeply globalized over the latest five to seven years. Quickly. Not just at the level of multinational corporations, but at the level of the distribution of work and how individuals operate. But through that same period, we have not been able to sort out rules for bank mergers. So again, this tremendous vortex of change is going on externally to government and government is unable to come to grips with the need to move fast and to take decisions. If the world can deeply globalize in a period of five to seven years, we should be able to get bank mergers sorted out in a similar period, but we have not been able to do it.

There are lots of other examples: environmental assessment timetables, getting pharmaceuticals to market, even simple operational things like setting immigration policies that allow people with particular types of credentials to become qualified to come and contribute to Canada. Even that takes us an unusually long period of time. I think a lot of that is because the government cycle works pretty much in 10-year periods.

But 10 years is a long time today. A long time for a government to try to predict what the world will look like 10 years from now. Frankly, I do not know that anybody knows what the world will look like in 10 years. So those policy horizons that used to work no longer work. We have to find ways of getting policy-making and political decision-making to move faster and to focus on much shorter timeframes.

CONCURRENT, NOT CONSECUTIVE, CONSULTATION

Now what does that mean? Let me bring that back a bit to the relationship of business and government. To lead, to be a leader, you have to be out in front and not spend all of your time running to catch up. But being able to lead requires nerve endings. It requires antennae. It requires ways of sorting out what the direction of change is and figuring it out quickly. I think that American policy-making, for instance, has more nerve endings. Not that it's perfect. And getting things through the gridlock of Congress is a different matter. But their nerve endings and their sensibility of change is superior to the institutionalized nerve endings, or lack thereof, in Canada. We cannot live any more in a world of sequential, step-by-step consultation. It has to be more concurrent.

We are making some progress here. The role of private forecasters in making economic projections is helpful. During the period of the FTA and NAFTA, SAGITs*—a good example of a more concurrent approach to policymaking—brought people outside of the government into government and made them a part of the process. SAGITs did not leave government and government decision-making as a black box. Instead, they treated

it as an inclusive process with various interests at the table and decisions being made.

So my point here is that if government is going to be relevant in a fast-paced world, it needs to get better connected. It needs to be able to move faster, to be able to update and modernize policy frameworks. That comes back to more antennae, more early warning systems and more meaningful contacts with people outside of government, in this case in particular with business. In a world where China is emerging as an economic superpower, India the same, where there is tremendous change in patterns of trade, the workings of that business and government relationship and the role that business can play in bringing those sensitive antennae to government is very important in terms of our country stepping up and modernizing its policy framework so that we can be a better country.

**Sectoral Advisory Groups on International Trade (SAGITs) were established in 1986 as advisory bodies to the Minister of International Trade on Canadian trade policy. Currently, twelve SAGITs facilitate the exchange of ideas and information between representatives from various industry sectors and government.*

BROADENING THE BUSINESS AGENDA

My final point: If business is going to play that kind of role, then business cannot be just a self-interested lobbyist. Business needs to step up and do more. It needs to change the nature of the relationship that we in the business community have. Fundamentally, we have to make this more of a two-way street. Because frankly, only when business does not position itself as a narrow self-interested group will government defences come down and allow for the kind of collaboration required to achieve expeditious decision making. Having business operate as a kind of parallel institutional bloc is not going to work, and it is certainly not going to work when too many business people, regrettably, have a visible disdain for political agendas. Political agendas are a fact of life. Working with government involves being able to accept and realize that government needs a win in the process too. There are political agendas. The way to work creatively with government is to accept that and then move forward.

As business leaders we are all pretty good advocates for our companies and for the sectors we represent. But is advocacy really the best contribution that the business community can make to the public policy agenda? There is a risk that the private sector – the business community in Canada as a broad group – has allowed itself in some ways to be marginalized because it is seen simply to be an advocate of one specific point of view, one specific direction. In that sense, I think it makes it easier for governments to treat business just like any other interest group pulling whatever levers it can to apply pressure in its own self interest. I think that is a big mistake.

So we in business, and the business community in general have to set ourselves the challenge of saying that we are going to work more broadly. We are going to establish broader partnerships and we are going to try to shape broader policy frameworks, not just speak out on issues of more narrow business interests. Businesses in Canada – businesses in every country, but certainly businesses here – have the resources, the expertise, the knowledge, the experience and the capability to function on a much broader agenda than we have done in the past.

Now I am not naïve about this. At the end of the day, it is government that is the guardian of the public interest. But saying that does not mean that businesses cannot step up and play a broader leadership role. Because, corporations are citizens. They cannot vote and they should not vote. But the broad concept of citizenship which involves participating in communities, participating more broadly and contributing – that is what corporations do. And that concept of citizenship needs to be broadened out in terms of how businesses in Canada interact with government

There is no shortage of issues in this country today. Take healthcare. This is a huge issue generally and a huge issue for business. But has the Canadian business community really spoken out in broad inclusive terms? I do not think so.

Skills development is hugely important for Canada's productivity and each of our companies invests heavily in this area. But as a group, has the business community taken a broad leadership position in advancing the debate about skills development in Canada? To some degree yes, but not nearly enough.

BROADENING THE BUSINESS AGENDA *ctnd.*

Finally, the biggest issue: productivity and prosperity. We all know the extent of the prosperity gap that is widening between Canada and the U.S. There is no simple answer to that issue because it is really a complex set of issues. But others are moving and moving quickly, be they Celtic Tigers or Asian Tigers. They are moving to address these issues. Certainly our industry has a role to play in

promoting and driving productivity improvements in Canada. But there are so many other issues involved here: taxation, education standards, management expertise, the diffusion of technology, the role of innovation. To address this crucial issue requires much broader collaboration between business and government, a recognition of the interdependencies of these two sectors.

A NEW CONSULTATION MODEL

All that being said, what should we do about it? I have three suggestions.

Number one: collectively with government, we need to redefine what consultation means. To do that, the old model has to be dismissed and moved off centre stage. We have to move to a much broader involvement of business and other interests in the formulation of policy in Canada. This is particularly true at a time when the public service has become more preoccupied with process issues than with policy issues themselves. We need to find ways to create

more arm's length institutions that can work on big issues. The business community has the capability to help with this, and not just as advocates of our own particular interests. In fact, we have a responsibility to support, and indeed create, these types of institutions to enable more experts to come into the tent of policymaking. To create a pool of policy talent in Canada that we sorely need. So, we need a change in the model of consultation and an investment in the policy process and organizations that are outside of government itself.

GOVERNMENT FOCUS ON PRIORITY INITIATIVES

Number two: Government's processes must be more streamlined and accelerated. But fundamentally, government has to come to grips with something else. In setting its priorities, in determining its agenda, it must recognize one simple truth: no government, no matter how talented, can adopt and deliver on more than two really major transformative initiatives in any given mandate. Driving transformative change requires focus. Focus and determination. Focus and determination that come from the

top. Selecting and narrowing the agenda. Determining a few priorities. Identifying what matters, what the government will stand for. To use a business term, what the "brand" of this government is going to be about. That choice-making – and the discipline involved in it – is a big element of enabling government to move faster, because it focuses and does not dissipate effort. If the priorities are right, government will be addressing the competitiveness challenges facing the country in their broadest sense.

CREATING A NATIONAL CONSENSUS ON PROSPERITY

Number three: we have to set to work to create a new national consensus on our priorities for the public agenda. The last time there was a broad consensus was in the '80s and '90s with respect to the national deficit. Now it is time to begin the work of creating a national consensus around the productivity challenges facing the country.

And here, I believe, business has an important role. Here is where businesses should step up to the challenge of creating an inclusive national summit initiative on productivity and prosperity in Canada. Because it is not going to happen in government. And it is not going to happen without leaders in the business community and others beginning to pave the way.

In a way, this is not dissimilar to what the Macdonald Commission* did in its work on opening the door to free trade, to major tax reform and to some of the important structural initiatives during the 1980s, including the very important fiscal initiatives of the late '80s and '90s. Today, it is time for Canada to get to work on creating a broader national consensus around the prosperity agenda. It is not going to happen without that kind of action and leadership. The business community cannot be and should not be a bystander in that process. It should participate in trying to establish the agenda itself and working with others to build a broader national consensus around that agenda.

Time is important here. In fact, time is critical. Because other countries are moving and we need to move. There are great opportunities here, but if we do not seize those opportunities other people will. We all have an obligation to ourselves, to our country and to our children to make sure that we as leaders in the business community, in the media world, in the academic world, step forward and step up to this challenge. To create and adopt new technologies to drive new levels of productivity. And to create a policy environment in Canada that will ensure that we can really win as a country in a globally connected economy.

We all know that change comes at us at great speed today. We need to get on with it and we need to get on with it now.

**The Royal Commission on the Economic Union and Development Prospects for Canada, otherwise known as the Macdonald Commission, was appointed by Prime Minister Pierre Trudeau in 1982 to make recommendations on the future of Canada's economic prosperity and the effectiveness of its political institutions. The Commission, chaired by former minister of finance Donald S. Macdonald, was composed of 13 individuals that represented a wide-range of interests including, business, labour, the public service and academia.*

DISCUSSION PERIOD:

Jack Lawrence, *Chairman,
Lawrence & Company Inc.:*

What role do you think the media and academia have to play in this new model?

Michael Sabia:

I'll let Jeff Simpson comment on the role of the media. But I think there are too many divides in Canada. There are too many things that separate the academic world from the public policy world from the business world from the social interest group world. I have never really understood why that many separations exist in our country. In many other countries there is much more fluidity in the participation of academics and others in the policymaking process itself. Today in Canada it is still unusual and it still does not work very well. So I think that some work needs to be done. When I talk about a summit initiative, I don't have in mind two days of workshops with a few academics and some business people and a few labour leaders and the traditional stuff. I think it is probably a much more sequential and elongated process over time, a process of discussion, of meetings, trying to surface these issues. I think academics have a role to play in opening that debate, in stimulating that national dialogue. So I think academic institutions have a big role to play.

Take the Lawrence Centre. There is a forum and a structure around which these essential dialogues can begin. And, given the urgency of the issue, once they begin they will start taking on a life of their own.

My preoccupation here is this: I really think that if Canada is going to step up to these challenges, then we can't look to government to get them going and to solve them. I think

we have to start solving them ourselves and then government can step up.

Carol Stephenson, *Dean,
Ivey School of Business:*

You talked about the need for arm's length policy groups. In your day in the public service, from the inside, what do you think is the problem and what do you think needs to happen to make it better?

Michael Sabia:

In some of the core areas of government, there is a considerable amount of talent and strength. In some other areas, it is not what it could be. In fact, given our business we have lots of relationships with the federal and provincial governments and I spend time and meet and talk to lots of smart people all the time. So even though there are lots of smart people in Ottawa, I think it can always be strengthened. But the broader issue is beyond the capability of a group of individuals.

It has more to do with how governments succeed in setting policies in a world that just moves faster than governments do. And I am not sure that just strengthening what is inside is necessarily the right answer. That is part of it, perhaps, but a very important part of it is breaking down the barriers that exist between government and the broader community. And creating policy competencies outside of government that can greatly facilitate the process of debate and decision-making and by doing so can also manage some of the tough politics that are involved in making some difficult decisions. Because frankly the more they get debated, the more they get aired out, the more they get politically defanged. Not completely, but the more debate there is about it, the more

DISCUSSION PERIOD *ctnd.*

recognition of what needs to get done is going to happen. So creating that framework outside of the national government, or for that matter provincial governments, that capability is more important than just focusing on “Gee, you know we need to recruit 30 smart people to the public service and put them in the right place and away we go.” It is more complicated than that. It is structural.

David Ticoll, *CEO, Convergent Strategies*:

I think everything you said is absolutely right and the issues and challenges that you have identified are the correct ones. So, having said that, and taking those as givens, if we were to launch a forum of the type you are describing, getting more substantive and specific, what would be some of the key dilemmas of productivity and Canadian competitiveness. What are the real tough questions that we need to come to grips with? Given that we know the global challenges, given that we know that Canada has fallen behind, how do we identify the hard problems that we need to understand?

Michael Sabia:

I think that we know a lot already and have a lot of things that we can get on with relatively quickly. Maybe not enough, but a lot. We have in its broadest sense what could be a competitive advantage today. We have a healthcare system that is a very important part of both our society and the national economy. It is not as productive as it could be. So healthcare reform has an important role in solving the competitiveness equation for Canada. We just need to get on with it, but it is hard to get on with it because it does take an awful lot of political courage to have a real debate about healthcare in Canada.

Skills development in Canada is another big issue that I think we don't talk enough about or focus on enough. Canadian tax policy also needs a serious reexamination in light of the competitiveness challenges that we find ourselves with. Some of that is going to involve some pretty tough political decision-making but other countries have done it. Countries from New Zealand to Ireland. They have come to grips with the tax realities associated with being a small open economy beside a global colossus. That has implications for the national tax system and they have to be addressed.

So I think there is an agenda. Those are just three or four things. There are lots more. If I could preach from my own parish, Canada has a great history of information and communications technology. It can be a source of competitive advantage to Canada, but we are not really laying the policy infrastructure that is required to do that today.

There are many levers that we can pull to achieve step function change in Canada's competitiveness. Leaving it to the internal discussions of the federal public service or between the federal public service and their political masters is not going to get the country where the country needs to go. We have to make this into a national campaign to drive prosperity forward. We have done a lot of good things. The FTA and NAFTA, fiscal reform – those were all good framework policies and we have benefited from them manifestly over the last 15 years or so. Now is the time to set a new agenda.

Robert McEwan, *former Chairman of the Board, Goldcorp Inc.; current Chairman of the Board, US Gold Corporation:*

We have a lot of inertia in government and there are areas that we want to go after and change, but how do you break the inertia? The government is operating 15 years behind the times. You are saying the urgency has increased and yet we have to get the government to act. How do you get them there?

Michael Sabia:

I don't believe you get government there by hectoring people about "do this, do that, do the other thing and call me when it is done". Because politicians and public servants don't really react to that in a constructive way. I think the way you get action is by working outside government to begin establishing a much broader agenda, at which point it eventually just becomes compelling. Now, it is a slow process and it does not happen overnight. That is why I have a sense of urgency about it. For instance, go back to the work of the Macdonald Commission. At the time, nobody thought it would have this impact, but it has had a profound impact on this country. And it did it by surfacing a set of issues and creating an agenda. It took a while for the agenda to be actioned, but in the Macdonald Commission you see the Free Trade Agreement, you see NAFTA, you see a lot of the things done by the Mulroney government and then subsequently by the Chrétien government. The Macdonald Commission was set up by government but became more or less an external process to government as a Royal Commission. If government is not going to set up a Royal Commission – and maybe we don't need one today – then others within the business

community etc. need to just start talking about this issue. And we need to talk about it not in terms of what is good for business per se, but in terms of what is good for Canada. The more that credible business people can articulate these positions and can work and be seen to work with people outside of the business community – other interest groups, labour unions etc. to begin addressing these issues – at some point you begin creating a momentum that becomes almost impossible for governments not to step up to. I don't think it happens in a period of months. I think it is a period of investment to shape the agenda and to shape it for governments and then have the governments move with it. It is a time-consuming exercise.

Kevin Chan, *Analyst, Privy Council Office:*

I am actually in the public service, right in the PCO, Economic. Nuts and bolts question: we need to get beyond the consultation approach, and I think by and large that is correct. So you are saying that business with its resources should set up an institution or ways of thinking about ideas or contributing to the debate. You talked about environmental assessments, as an example. Clearly industry has some views about how to do that and industry could probably present some interesting ideas about how to move forward, about how to consolidate and make it more effective. But unfortunately, on many of these public policy issues we are dealing with a whole bunch of different stakeholders. So you have the NGOs, the First Nations, the provincial governments. Some of these sectors don't have the same capacity as the business community. So how do we ensure that the discussion is actually going to be broad? That is the reason consultation takes so long, because the First Nations do not have

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the capacity to do it or the NGOs do not have the capacity. So we have to bring them along and we have to fund it and we have to provide the training. Something that I think business in and of itself does not have in terms of issues to overcome.

Michael Sabia:

That is generally a fair point. I do not take it as given, though, that the role of the business community is just to advance its own particular interests. The interests of the business community in general get advanced when issues like tax reform or productivity are on the national agenda. Because the more those framework decisions get made, the greater the stability in the environment for business to make decisions. So I don't think that business always has to advance its interests by being very narrowly focused on one particular issue. I am not sure what institutional form it will take. But a greater commitment on the part of the business community to create opportunities, to create institutions, where important policy work and thinking and debate goes on does not necessarily mean that it must be representative of the interests of business. It should be a forum for a much broader set of interests to also debate issues, in ways that may be more creative than just the kind of rote consultation that goes on in government today.

Bruce Simpson, *Managing Director, McKinsey & Company:*

There is another trend that is happening which I think goes in the direction of what you describe as the multi-stakeholder role that companies can play, perhaps that they have not in the past. Getting involved in the community in some of these broader issues.

The other trend that is happening is we see a real sea change in what the young business leaders that are coming out of great institutions like Ivey today are expecting of their employers. These young leaders today really expect a greater involvement in broader issues. They are actually asking less about compensation and asking more about what are you going to do to help make the world a better place. What are you doing about big issues? So that goes in the same direction. I think to win the war for talent today you have to be out there and doing more in those areas. The question, though, is what about the shareholders in all this? Because if you are a shareholder today, you could also say, "Well, wait a minute. Frankly, if I want to get involved in some of these areas, I can do that myself without having to expect Bell to do it." I am worried that if businesses step into this new space, these multi-stakeholder arenas, there is a bit of a danger of losing sight of the shareholder.

Michael Sabia:

I certainly agree with your first point on younger people, in terms of building and recruiting the kind of really capable talent that organizations need to succeed today. We see it more and more in our business today. More and more it is about values, the values a particular organization stands for and whether they attract the right kind of talent. A lot of what I said is about values – an underlying perception of the role of business and the responsibilities that business has to create and enable healthier communities, or for that matter a healthy country.

Now, that takes me to your point about shareholders. For precisely the same reason, an engaged business community that is

advancing broader issues associated with competitiveness and prosperity for the country is manifestly in the long-term interests of shareholders. Because you are going to create a better environment in which Canadian companies can succeed. I do not think we are talking about being in a situation where any particular business would be so deflected from its primary challenge and responsibility to serve customers and deliver for shareholders that you are going to see any trade-off or compromise of the interests of shareholders, even in the short term. Creating a healthier economic environment is so deeply consistent with the interests of the shareholders of a given company that I do not think there is a trade-off there at all. I also agree that people in my position should not be spending four and a half days a week debating the competitiveness of the country. They should be working 18 hours a day, 6 and 7 days a week, on what we get paid to do. I think there is more than enough scope in these organizations for businesses to participate more broadly than they do today. More than enough.

John Crow, *Lawrence & Company Inc., Former Governor, Bank of Canada:*

As I look at this country, it is somewhat fractured. I think you are referring to the federal government principally, which is kind of natural if you come from Montreal. Let me remind others that the Macdonald Commission started with a brief to improve internal trade and got a whole series of other things added on. And as you pointed out, internal trade is still an issue. We have umpteen provincial policies. I would say that the policy weight gravitates towards the provinces since they have the constitutional

responsibilities for many of the things that are important here. The federal government tries desperately to hang onto its taxing power, not quite knowing what to do with it. That seems to be a fundamental, rather difficult, issue, given the country, and is something that people should say something about. But I am not sure that they would be very successful and it is a real weight upon competitiveness and competitive policies in this country.

Michael Sabia:

Yes. That is an important set of issues. I mean never mind just inter-provincial trade barriers or perhaps just a more specific statement of them. Take securities regulation. On all these issues, clearly, the federal-provincial nature of the country is obviously a big determinant of what happens from a public policy point of view. But there again, I find this back and forth between federal and provincial governments tiresome. What better place than outside of the formal structures of government, be they federal or provincial, to start having a more broadly based discussion about that federal provincial issue as it affects the competitiveness of the country.

I am not suggesting we need to go down a path of constitutional reform in order to fix some of these things. But I think that provincial governments are responsive to businesses and other interest groups operating in their jurisdictions so that we can start having more debate in the country – outside of government – about, for instance, education policy. This would not be necessarily about the school system itself, but from a skills development point of view. Because to have that issue caught up in the back and forth between federal and provincial governments is just massively

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counterproductive. The more that can start being debated outside of government, the better. In fact, that is the only place it is going to be fully debated, because as you know, inside government – whether federal or provincial – where you sit is what you think. And that is just old-fashioned, tired thinking. It is just going to get in the way of the country doing what it needs to do.

In the end, I think the more the country – and we as business people – can help get these issues into a broader public domain where they can be debated by the right sorts of people – those who have the time and the skills and the capabilities to do so – the better in terms of advancing a national agenda that we need to formulate.

Thank you for your attention. It was a real pleasure for me to be here this evening.

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Michael J. Sabia, *President & CEO, Bell Canada Enterprises Inc.*

Moderator

Thomas d'Aquino, *President & Chief Executive, Canadian Council of Chief Executives*

Distinguished Panelists

W. Edmund Clark, *President & CEO, TD Bank Financial Group*

Dominic D'Alessandro, *President & CEO, Manulife Financial*

Jeffrey M. Lipton, *President & CEO, NOVA Chemicals*

Jack M. Mintz, *President & CEO, C.D. Howe Institute*

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Thomas J. Bata, *Honorary Chairman, Bata Limited*

Perrin Beatty, P.C., *President & CEO, Canadian Manufacturers & Exporters*

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Arthur Sawchuck,	<i>Chairman of the Board of Directors, Manulife Financial</i>
Bonnie Schmidt,	<i>President, Let's Talk Science</i>
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Bruce Simpson,	<i>Managing Director, McKinsey & Company</i>
Jeffrey Simpson,	<i>National Affairs Columnist, The Globe & Mail</i>
Rajesh Subramaniam,	<i>President, Federal Express Canada Ltd.</i>
David Ticoll,	<i>CEO, Convergent Strategies</i>
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