

# Reform of Australian Government Administration

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## Submission

An initiative for transformation of  
Australian Government Administration  
to meet the challenges of the 21<sup>st</sup> century

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## **Executive Summary**

### ***Background***

The Australian Government faces unprecedented challenges across all areas of policy, program and delivery for the foreseeable future. There is strengthening evidence that existing models of public administration are inadequate to deal effectively with current and future policy, program and delivery tasks and challenges.

To address current and emerging challenges effectively and deliver timely, viable responses the Australian Government must substantially improve the capabilities and productivity of the Australian Public Service and the general government sector. Further, it must achieve this within operating budgets that will be constrained for the foreseeable future and increasing market competition for capable people.

This initiative is designed to achieve requisite and continuing improvement of the capabilities and productivity of the APS and general government sector.

### ***Critical requirements***

The proposed initiative addresses four critical requirements:

- significant improvement of existing capabilities within current models of operation in the near-medium term (2010-2015);
- progressive implementation of new capabilities for more effective management of complex policy, program and delivery tasks;
- progressive expansion of capabilities to match the scale and diversity of policy, program and delivery tasks in the medium-future term (beyond 2015);
- sustained improvement of productivity to enable capabilities to be improved and expanded within operational resource constraints.

### ***One-APS Capability Improvement Program***

The One-APS Capability Improvement Program (CIP) would establish a consistent and coordinated approach to the direction, planning and management of organisational capability across the APS and general government sector.

The CIP would become the 'umbrella' program for improvement of capability and productivity. All other existing performance improvement initiatives and programs would be progressively reviewed and either subsumed into the CIP or discontinued.

The CIP would address all elements of organisational capability and factors of productivity, including:

- governance & leadership;
- legislation, regulation and practice;
- structure & culture;
- management;
- planning;
- policy, program and delivery processes;
- resources & assets (people, information & data, finance, other productive capital);
- enabling services;
- enabling infrastructure and processes.

## ***Approach***

The CIP would be comprised of two major sub-programs – Current Mode of Operations (CMO) and Future Mode of Operations (FMO).

### ***Current Mode of Operations***

The Current Mode of Operations (CMO) sub-program would address short-medium term improvement (2010-2015) within existing models of administrative operations.

A productivity increase in the order of 25% can be achieved in the period 2010-2015, by focusing primarily on improved productivity of core resources and assets including people and information, and reduction of overhead costs including procurement, recruitment, reporting and technology services & infrastructure.

Central coordination and support for the CMO sub-program would be provided by the Department of Finance and Deregulation (DoFD). Agency-level coordination and support would be provided by Chief Operating Officers (COO) at Deputy Secretary level.

### ***Future Mode of Operations***

The Future Mode of Operations (FMO) sub-program would address medium-long term improvement through evolutionary transformation of organisational arrangements.

The FMO would challenge current assumptions that hierarchical bureaucracy is the 'natural' operational model for public administration, and would enable evaluation and adoption of viable alternatives.

Sustained productivity increases in the order of 4-5% per annum would be achieved through progressive implementation of high performance organisational arrangements that have been established and validated in other sectors.

Implementation of the proposed Strategic Policy Hubs could provide an early opportunity to evaluate suitable alternative models of operation that would be better suited to identify and address emerging complex policy challenges.

Central coordination and support for the FMO sub-program would be provided by the Australian Public Service Commission (APSC). Agency-level coordination and support would be provided by Chief Operating Officers (COO) at Deputy Secretary level.

### ***Direction, Support and Resourcing***

The Department of Prime Minister and Cabinet would oversight and direct the CIP through the Management Advisory Committee (MAC). The MAC would report periodically to Cabinet against agreed objectives and key performance indicators for the program.

Heads of agency would have overall responsibility for implementation of the CIP within their agencies. Chief Operating Officers at Deputy Secretary level would have responsibility for coordination, implementation and support of CIP arrangements within their agencies and coordination with other agencies.

Agencies would be expected to progressively restructure existing planning, management and support arrangements and reallocate resources to provide ongoing support for CIP arrangements.

### ***CIP Review & Realignment***

The CIP would be reviewed in 2014-2015, to evaluate the outcomes and effectiveness of both sub-programs and realign their focus and objectives for the period 2015-2020.

The 2015-2020 CMO and FMO sub-programs would be developed in the context of the global, regional and national strategic outlook for 2015-2020.

New capabilities, processes and organisational arrangements identified, evaluated and validated under the 2010-2015 FMO sub-program would be incorporated into the 2015-2020 CMO sub-program.

Key learnings, emerging trends and developments in organisational design and practice would be reflected in the 2015-2020 FMO sub-program.

### ***Key outcomes***

Key outcomes of the CIP would include:

- general improvement of Australian Government administrative capability planning and management;
- better matching of Australian Government administrative capability to current and future policy, program and delivery tasks;
- improved capability to identify, address and resolve complex policy issues;
- improved capability to respond effectively to emerging trends in democratic government, including citizen-centric and citizen-driven government;
- more flexible and responsive deployment of capability at agency, cross-agency and sector levels;
- better measurability, control and accountability of capability performance and costs;
- better opportunities to achieve 'synergistic' capability improvements;
- sustained improvement of operational productivity over time.

## **Current Mode of Operations (CMO)**

The Current Mode of Operations (CMO) sub-program would address short-medium term improvement of capability and productivity (2010-2015) within the existing model of administrative operations.

A productivity increase in the order of 25% can be achieved in the period 2010-2015, by focusing primarily on improved productivity of core resources and assets including people and information, and reduction of overhead costs including procurement, recruitment, reporting and technology services & infrastructure.

## ***Governance and Leadership***

The CMO would focus on general improvement of governance and leadership within existing organisational arrangements.

## ***Legislation, Regulation and Practice***

The CMO would focus on reform and improvement of administrative legislation, regulation and practice. Reforms would include early implementation of companion legislation for the Financial Management and Accountability (FMA) Act, including:

- Information Management and Accountability (IMA) Act
- Reporting Management and Accountability (RMA) Act
- Technology Management and Accountability (TMA) Act

The purpose of these reforms would be to establish legislative imperatives for consistent management practice and significantly improved performance and accountability at whole-of-government and agency level.

The Audit Act would be revised to reflect the new administrative legislation.

## ***Structure and Culture***

The CMO would operate within existing organisational structures and models of operation, focusing on improvement of organisational culture.

The key focus of improved culture would be the core value of respect, and the consequent elimination of counter-productive behaviours including bullying.

## ***Management***

The CMO would focus on improved management practice within existing models of operation. A key focus would be improved measurement and management of productivity, with strong attention to the reduction of overhead, enabling, compliance and accountability costs (currently estimated in excess of 70% of administrative operating costs).

A key objective of the CMO would be to reduce non-output costs to 50% of administrative operating costs by 2015.

The 2008 SOS Report indicated that APS officers did not have a high level of confidence in the management of their agencies (less than 50%). A key objective of the CMO would be to achieve a confidence level of better than 70% for agency management by 2015.

## ***Planning***

The CMO would establish consistent and coordinated strategic and operational planning arrangements at whole-of-government and agency level. These arrangements would replace existing pseudo-planning arrangements, including 'business planning'.

Planning arrangements would operate on a rolling basis, using NOW-NEXT-FUTURE planning mechanisms that would integrate strategic and operational planning into a single coherent planning process.

A key function of the proposed Strategic Policy Hubs would be to provide three-yearly strategic outlooks with annual updates that would form the basis of agency strategic plans.

Operational planning mechanisms would address all elements of existing and new capability required to meet government objectives in the current and subsequent budget years.

Operational planning mechanisms would engage all staff in planning relevant to their roles and responsibilities, and provide opportunities for effective input on practical and innovative ways to improve capability and productivity.

## ***Policy, Program and Delivery Processes***

The CMO would focus on general improvement of existing policy, program and delivery processes. A key area of focus would be improvement of information and data planning, supply and management across the policy/program/delivery cycle.

Other areas of improvement would include better mechanisms for effectively sharing and coordinating good practice in process design and implementation across government and agencies.

## ***Resources & Assets***

The CMO would focus primarily on improved productivity of core resources and assets, including people and information.

Existing rhetoric about the importance of people and information as 'valuable assets' would be replaced by practical and effective action to realise and optimise their value.

A key focus of the CMO would be to establish arrangements that ensured ready and timely access to core resources and assets. These could include:

- streamlined One-APS arrangements for recruiting capable people;
- an 'APS Reserve' to provide a mechanism for easy re-engagement of former APS executives, managers and officers for short and medium-term assignments, advice and mentoring;
- a One-APS Information framework to provide significantly improved consistency of information availability and access at whole-of-government and agency levels.

The stock (input cost) value of the Australian Government's information/data asset is estimated in the order of \$25-50 billion. Agency costs for managing information and data are estimated at typically 25-30% of operating budget. Implementation of a One-APS Information framework under an Information Management and Accountability (IMA) Act would enable significant improvements in information and data quality and availability, with significantly reduced costs.

### ***Enabling Services***

A key focus of the CMO would be implementation of a consistent One-APS service management framework for the provision and management of all enabling services, including:

- professional services;
- resource management services;
- reporting services;
- technology-based services.

### ***Enabling Infrastructure and Processes***

A critical objective of the CMO would be to significantly improve the performance and reduce the costs of key enabling processes including:

- procurement;
- recruitment;
- contract management;
- resource management;
- security;
- reporting.

The key objective would be optimising the balance between positive support for output productivity, ensuring conformance with accountability requirements, and reduced process costs.

Reporting costs are currently estimated at (typically) 25% of agency operating costs. Implementation of improved reporting processes under a Reporting Management and Accountability (RMA) Act could reduce this to 20% by 2015, while simultaneously improving the relevance, quality and responsiveness of reporting.

### ***Direction, Coordination and Support***

Central direction, coordination and support for the CMO sub-program would be provided by the Department of Finance and Deregulation (DoFD). The Secretary of the Department of Finance and Deregulation would be the Chief Government Operating Officer.

Agency-level coordination and support would be provided by Chief Operating Officers (COO) at Deputy Secretary level.

## **Future Mode of Operations (FMO)**

The Future Mode of Operations (FMO) sub-program would address medium-long term improvement of capabilities and productivity through evolutionary transformation of organisational arrangements. The FMO would challenge current assumptions that hierarchical bureaucracy is the 'natural' operational model for public administration, and would enable evaluation and adoption of viable alternatives.

The FMO would provide environments and opportunities for leaders and their agencies to explore, evaluate and adopt new capabilities, processes and organisational arrangements better suited to deal effectively with 21<sup>st</sup> century challenges.

Sustained productivity increases in the order of 4-5% per annum would be achieved through progressive implementation of high performance organisational arrangements that have been adopted and validated in other sectors.

## ***Governance and Leadership***

The FMO would focus on the transformational leadership and governance required to meet the administrative challenges of the 21<sup>st</sup> century. It would provide significant opportunities for leaders, executives and managers to experience and inform themselves directly about high performance organisational arrangements in other jurisdictions and sectors.

## ***Legislation, Regulation and Practice***

The FMO would focus on fundamental reform and improvement of portfolio and administrative legislation, regulation and practice. The key focus of the reform program would be the progressive elimination of existing legislative and administrative barriers to effective cross-government arrangements for policy, programs and delivery.

## ***Structure and Culture***

Beyond 2015, inherent limitations in the performance of traditional organisation structures will significantly constrain further improvements in capability and productivity.

A key characteristic of hierarchical bureaucracies is their 'ultrastability'. In the 21<sup>st</sup> century agencies will need to adopt structures that are both stable and adaptive to changes in their environments.

High performance organisations have clear purpose and objectives. This would suggest that the general administrative organisation may not be well suited to achieving and sustaining higher levels of performance.

The FMO will need to provide opportunities for evaluation and adoption of alternative machinery-of-government and organisation structures that will be better suited to emerging policy, program and delivery challenges and tasks.

Implementation of the proposed Strategic Policy Hubs could provide early opportunities to evaluate suitable alternative models of operation better suited to identify and address emerging complex policy challenges.

A key focus of the FMO would be the shift from low-trust to high-trust organisational cultures, with direct and tangible implications for higher performance and lower compliance and accountability costs.



## ***Management***

The FMO would focus on transformational improvement of management quality and performance. The key shift in management focus would be from 'directive management' to 'management by leadership', with management focusing on creating effective work environments and engaging capable people best suited to address current and future tasks and challenges.

In 'Post Capitalist Society' (1993), Peter Drucker states that "the function of organizations is to make knowledges productive", and that managers are "responsible for the application and performance of knowledge". This clearly positions knowledge management as a general management function, and explains why attempts to establish knowledge management as a specialist management function have been largely ineffective.

The FMO will need to identify new requirements for management training and development – existing management training does not prepare managers to manage effectively in the 21<sup>st</sup> century.

## ***Planning***

Existing planning mechanisms are strongly agency-centric. The FMO would focus on the extension of strategic and operational planning mechanisms to effectively support viable operation of future cross-government arrangements.

## ***Policy, Program and Delivery Processes***

Over the last decade or so, many new group processes have been developed to enable rapid analysis and resolution of complex issues. An example is the Syntegration process, used by a Canadian agency in 2006 to fast-track development of a national emergency preparedness plan for a possible pandemic influenza outbreak (case study available on request).

Agencies are frequently reluctant to adopt innovative new processes, even though they offer very significant potential advantages in time and output quality. The FMO would provide opportunities for agencies to evaluate and adopt new processes better suited for dealing with the complexities and demands of the 21<sup>st</sup> century, with a strong focus on processes that can deal effectively with cross-government issues.

The FMO would also focus on better measurement of process performance. The proposed Strategic Policy Hubs could evaluate improved mechanisms for measuring and evaluating policy and program outcomes.

## ***Resources & Assets***

A key focus of the FMO will be to establish improved executive, management and officer-level competencies for core resources and assets, particularly people, information and data. This is a critical prerequisite for establishing knowledge management as a general management function.

## ***Enabling Services***

A key objective of the FMO would be to prepare for a major shift from the internal production of standard technology-based services to utilisation of externally-produced services. This shift would significantly reduce costs and enable scarce technical resources to be focused on critical tasks that cannot be readily outsourced.

The FMO would provide opportunities for evaluation and adoption of new enabling services, including the use of advanced simulation and visualisation of national systems (natural and human) to analyse emerging complex policy issues and test policy options.

***Enabling Infrastructure and Processes***

The FMO would focus on establishing consistent enabling infrastructure and processes at cross-government and agency level.

This would include a One-APS architecture and infrastructure for access to technology-based services, regardless of whether they are produced internally or externally. This would be a critical prerequisite for a shift from internal production of standard technology services to externally-produced services.

***Direction, Coordination and Support***

Central direction, coordination and support for the FMO sub-program would be provided by the Australian Public Service Commission (APSC).